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Cameco

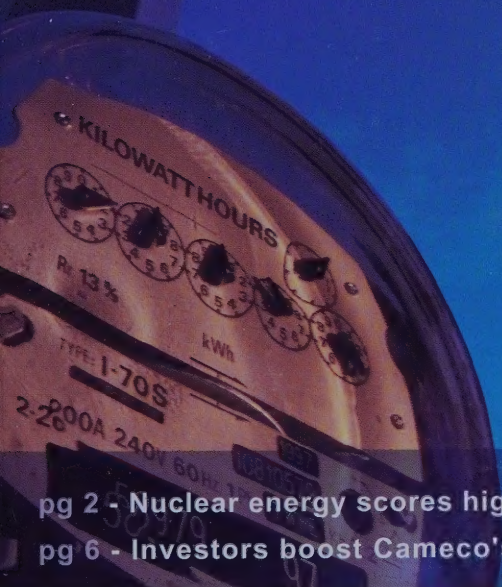
ANNUAL REPORT | 2001

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URANIUM

Investing In Clean
Electricity



pg 2 - Nuclear energy scores high, meets society's demands pg 4 - Targeting growth
pg 6 - Investors boost Cameco's share price pg 17 - Cameco focuses on strengths

"I am committed to treating the environment with respect."

"So is Cameco."

— Don McLeod

"I had 16 years of experience working in the bush before I came to Cameco. Once I started doing monitoring of the environment for Cameco, I found that they did an excellent job of managing their impact on the environment."

"I grew up in the North, and I'd like to see my kids enjoy Mother Earth like I did. Cameco is doing their part to ensure that happens."

Don McLeod

*Environment and
Radiation Safety*

*McArthur River Mine,
Cameco*



Cameco

www.cameco.com

*Bringing **energy** to life*

Cameco, with its head office in Saskatoon, Saskatchewan, is the world's largest producer of uranium and the largest supplier of combined uranium and conversion services. The company's competitive position is based upon its controlling ownership of the world's largest, high-grade reserves and low-cost operations. Cameco's uranium products are used to generate clean electricity in nuclear power plants around the world including Ontario where the company has an interest in a partnership which generates nuclear electricity. The company also mines gold and explores for uranium and gold in North America, Australia and Asia. Cameco's shares trade on the Toronto and New York stock exchanges.

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Photo - Cameco's head office is in Saskatoon, Saskatchewan, Canada.

Forward-looking statement

Certain statements contained in this annual report, including information under the headings: what is the outlook for nuclear energy, message to shareholders, social responsibility, and management's discussion and analysis, constitute forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors are discussed in greater detail in the management's discussion and analysis section as well as Cameco's annual information form on file with the US Securities and Exchange Commission and Canadian securities regulatory authorities.



What is the outlook for nuclear energy?

The outlook for nuclear energy is positive – the greatest uncertainty is more about “when” there will be significant growth in the nuclear industry rather than “if.”

Nuclear energy is just another way to generate electricity, so it is impossible to discuss the outlook for nuclear without understanding the need for electricity.

The fact is, electricity is essential to maintaining and improving standards of living and demand for access to it will continue to grow. Global economic growth will likely be even more a fact of life in the 21st century than it was in the last century. As standards of living and populations increase, energy consumption will expand. For now and the foreseeable future, there is no substitute for electricity to facilitate work, provide comfort, conserve food, promote hygiene and improve health.

No perfect electricity options

The issue for society is how to produce the electricity that we demand in increasing quantities, at reasonable costs and without damaging our environment.

There are no perfect alternatives. You can dam rivers and generate hydropower. You can burn fossil fuels such as coal or gas. You can split atoms in nuclear reactors. You can turn to renewable energy such as wind or sun, or develop promising technologies such as fuel cells.

Choosing among these options requires an understanding of many factors and forces us to make compromises in selecting any of them.

Key considerations include the capital and operating costs of electrical generating facilities, reliability, safety, security of fuel supply, land use, environmental impact as well as assumptions on future economic growth.

The issues facing decision-makers are many and complex. At the same time, however, society's expectations are very simple. People want electricity to be available, affordable and sustainable. They want it at the flick of a switch, exactly where and when they need it. They also want electricity at a reasonable and predictable cost over time.

Finally, electricity supply must come from sustainable sources – generated from technologies that are safe for

the human and physical environment. The growing concern about sustainability can be seen in international initiatives to curtail greenhouse gases and reduce their possible impact on the global climate. In our increasingly urbanized society, almost everyone is worried about the health effects of air pollution and the threat to clean water.

Nuclear energy offers good solution

Nuclear energy scores very well against the three criteria for electricity generation which matter most to society – availability, affordability and sustainability.

Nuclear power can be made available anywhere and has proven to be highly reliable as shown by the remarkable performance of the more than 400 reactors now operating in some 30 countries. Since the 1950s, the world has amassed about 10,000 reactor-years of operating experience and has used this knowledge to develop an outstanding safety record.

Nuclear power from existing reactors is also affordable and predictable. These reactors compete with coal or

“Nuclear power is available, affordable and sustainable.”

gas-generated electricity and often offer a significant cost advantage. New reactor designs, based upon many years of shared experience between countries, will be faster to build, safer and competitive with the best clean coal or gas-burning technologies available.

Nuclear power is also sustainable, not only because it contains all the waste it generates (whereas coal and natural gas release their carbon dioxide and other pollutants into the atmosphere) but also because the safety of the technology is now well established.

Over the next 25 to 50 years, a new generation of breeder reactors (which produce more fuel than they consume) could potentially extend the world's uranium resources indefinitely. The disposal of used fuel, despite the claims of those who are ideologically opposed to nuclear energy, is not a problem without solution. The industry

has developed the sound technology required to deal with it. Used fuel, extracted from nuclear reactors at the peak of its radioactivity, has been handled safely for the past 40 years. The public should have full confidence in the feasibility of long-term storage and the eventual disposal of radioactive wastes.

If it meets all the requirements which society demands from its sources of electricity, why is the timing of a renaissance in nuclear energy so uncertain?

It is simply because society is still not fully satisfied that nuclear power is as competitive and environmentally sustainable as its proponents assert. New, cost-competitive reactors still have to be built and no permanent facility has yet been opened to dispose of used fuel although several are currently under development.

The short- and long-term views

What is the outlook for nuclear energy growth?

First, let's look at the shorter-term outlook for growth from existing and currently planned nuclear units. Unquestionably, the outlook here is bright and becoming brighter.

Reactor owners, encouraged by the competitive cost of the electricity produced and constantly improving operational performance, are seeking increased power output and plant life extensions. There is widespread acceptance, particularly in the United States, of the need for existing reactors to keep operating and for current upgrading programs to continue.

Independent public opinion surveys in North America and Europe confirm that people support existing nuclear programs. Even in countries where governments are captive to minority "green parties," the majority of citizens do not support the official anti-nuclear policies. For instance a majority of Germans expect little change in the importance of nuclear power despite the government's recently adopted nuclear phase-out plan.

However, while the outlook for nuclear energy growth from existing reactors and approved new construction is excellent, growth from these sources will be modest.

What about longer-term growth from future nuclear programs? Because public acceptance of nuclear power is not yet widespread, the timing and extent of this growth is uncertain.

The industry must demonstrate that the new generation of nuclear reactors can fully compete with coal and natural gas for large-scale electricity generation, as well as offer valuable environmental advantages. This will take time, but it will happen.

Already, key decision makers in Europe and North America have acknowledged that nuclear energy is significantly cheaper than coal and gas if the full health care and other environmental costs of these electricity sources are factored in.

Given this, and the work done by leading reactor suppliers from Canada, the United States and Europe, as well as innovative development work being pursued in South Africa, there is every reason to expect that a new phase of publicly-endorsed nuclear expansion will emerge within the next few years.



CAMECO WILL BE A DOMINANT NUCLEAR ENERGY COMPANY

2001 TARGETS ►

- Sustain the nominal 18 million pounds U_3O_8 per year production rate during a minimum of four consecutive months at McArthur River.
- Reduce administration and exploration costs by 10% each.
- Reduce uranium inventory by 10%.
- Increase Kumtor gold production to 680,000 ounces.
- Finalize Cameco's purchase of a 15% interest in Bruce Power.
- Submit the Cigar Lake construction license application to regulators and complete the environmental impact statement for the processing of Cigar Lake uranium at Rabbit Lake.
- Achieve an overall accident frequency better than 2000.

2001 RESULTS

- The McArthur River/Key Lake operations together produced 18 million pounds U_3O_8 in 2001, one year ahead of schedule.
- Cameco reduced administration costs by 4% and exploration costs by 13%.
- Uranium inventory increased marginally in 2001. This was the result of higher than planned production at the McArthur River and Rabbit Lake mines.
- In 2001, Kumtor mine production increased 12% to 753,000 ounces while cash costs declined 7% to \$142 (US) per ounce compared to 2000.
- Cameco finalized the Bruce Power transaction in May 2001 and earned a \$7 million after tax profit during the remainder of the year.
- Cameco and its Cigar Lake partners approved the Cigar Lake feasibility study in June 2001 and rescheduled the construction license application to the first half of 2002 and the environmental impact statement to 2003.
- In 2001, Cameco achieved its best ever, overall accident frequency of 0.22 per 200,000 hours worked, a substantial improvement over the 0.41 recorded in 2000.



PRODUCING FUEL AND GENERATING CLEAN ELECTRICITY

Position Cameco for greater return on average capital

LONG-TERM GOALS ►

- Pursue internal and external growth opportunities to achieve 15% return on average capital (ROAC).
- Maintain leadership position in uranium and expand production flexibility in uranium and conversion services.
- Build Cameco's competitive advantage through employees.

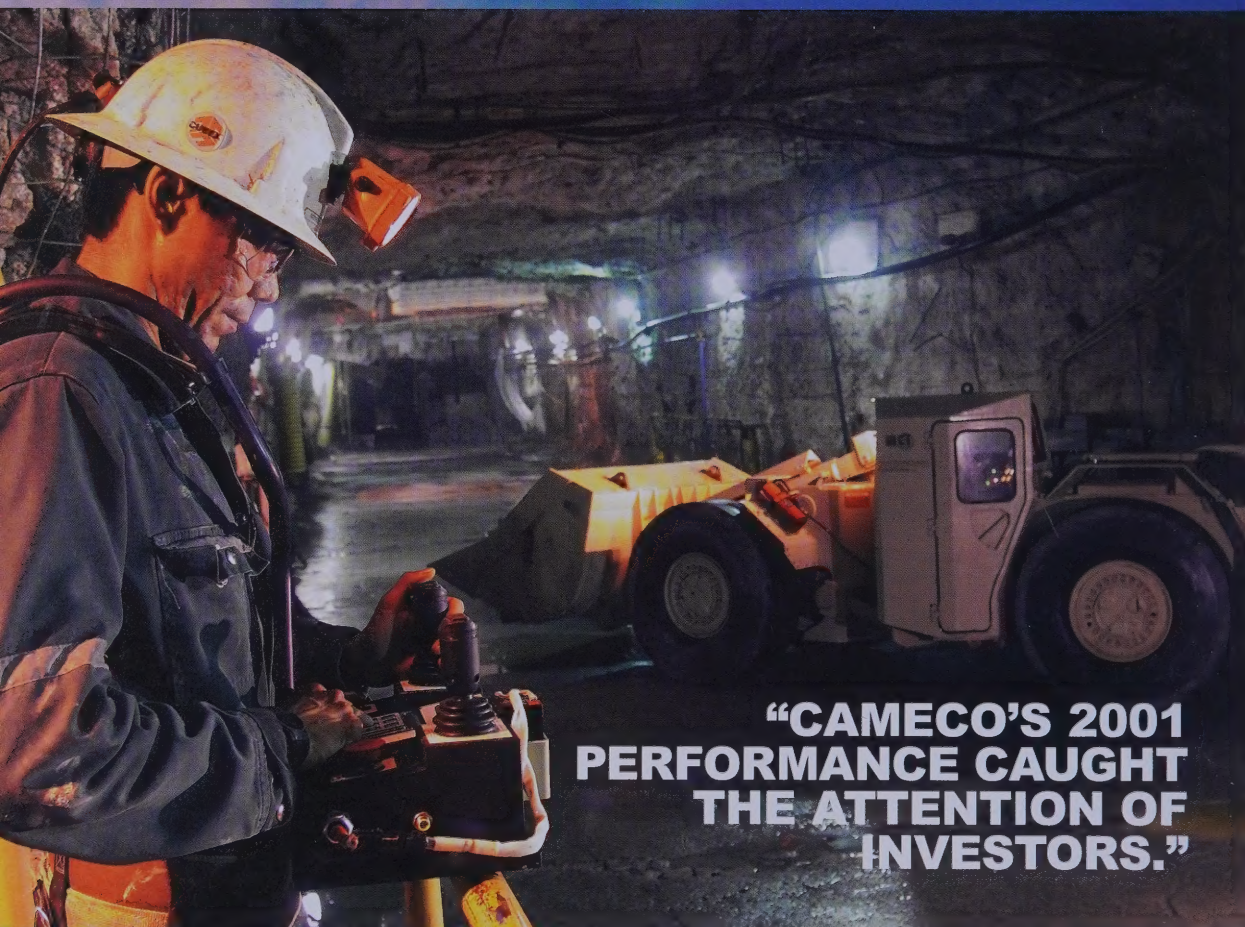
2002 TARGETS

- Pursue opportunities in the nuclear energy business.
- Evaluate the implementation of the Key Lake 2001 initiative to improve productivity and reduce costs in order to assess whether this model is appropriate for other operations.
- Leverage Cameco's Central Asian gold expertise to build, without major new investment, a sufficient critical mass of gold assets for it to be recognized in shareholder value.
- Start and operate the Inkai uranium test mine in Kazakhstan.
- File the Cigar Lake construction license application with the regulators.
- Continue to attract and retain quality employees by enhancing the apprenticeship program, introducing a wellness program and providing a more flexible and diversified employee pension plan.

Operate with a strong commitment to people and the environment

- Demonstrate Cameco's commitment to corporate social responsibility.
- Reduce accident frequency of all workers below 2001 frequency of 0.22.
- Obtain ISO 14001 certification for McArthur River and Key Lake operations.
- Obtain Canadian Nuclear Safety Commission approval for the corporate quality management program.
- Ensure at least 55% of Cameco's workforce at Saskatchewan mines are northerners.
- Purchase from northern businesses at least 50% of all services required at Cameco's Saskatchewan mines.
- Identify cost-effective solutions for management of waste and decommissioning of Cameco-operated minesites.
- Complete the environmental assessment of recycling Blind River and Port Hope by-products at Key Lake mill.
- Develop a multi-year decommissioning strategy and action plan at all Cameco sites.

RESULTS



**“CAMECO’S 2001
PERFORMANCE CAUGHT
THE ATTENTION OF
INVESTORS.”**

AN INTERVIEW WITH BERNARD MICHEL,
Cameco’s chair and chief
executive officer.

Q: What were the major factors behind Cameco’s financial performance in 2001?

A: Cameco’s 2001 revenue increased 2% to \$701 million and net earnings improved substantially – by 24% – to \$56 million compared to 2000 (before special items).

As always, these results were impacted by many factors – some positive, some negative.

Among the positive factors, the most significant was the contribution from Bruce Power for the first time. Cameco also benefited from increased sales of uranium, uranium



Top photo - Mine operator Arthur Bekkattala uses a remote controlled scoop tram to collect and transport uranium ore 640 metres underground at McArthur River, the world’s largest, highest grade uranium mine.

conversion and gold, as well as from lower operating costs, in particular at McArthur River and at Kumtor.

Among the negative factors, the depressed uranium and gold prices were clearly dominant. However, uranium prices strengthened through the year and were the highest in the last quarter when the majority of Cameco's uranium deliveries took place, which was of benefit to the company.

2001 was a positive year for Cameco and it provided a valuable insight into what the company will achieve with improved uranium prices and with Bruce Power delivering its potential.

Q: What were the highlights for Cameco in 2001?

A: Operationally, McArthur River and Kumtor come readily to mind.

At McArthur River, we were pleased to announce, early in 2001, increased high-grade reserves. And, as a result of drilling performed and experience gained during the year, we are now able to confirm more than 95 million pounds of additional uranium reserves at a grade 2% higher than previously estimated. As well, production of 18 million pounds

U₃O₈ was achieved in 2001 from the McArthur River/Key Lake operations, one year ahead of schedule.

At Kumtor in 2001, about 800,000 ounces of gold were added to reserves and the mine achieved a new record of 753,000 ounces produced at a cash cost of \$142 (US) per ounce—the lowest since mine startup. The Kumtor performance is really outstanding, especially when one considers the remote, high-altitude location of this Central Asian operation.

Strategically, two significant milestones were reached in 2001. One was the completion of the Cigar Lake feasibility study and the decision of the owners to schedule development for a 2005 production startup, assuming that uranium market conditions improve in the meantime.

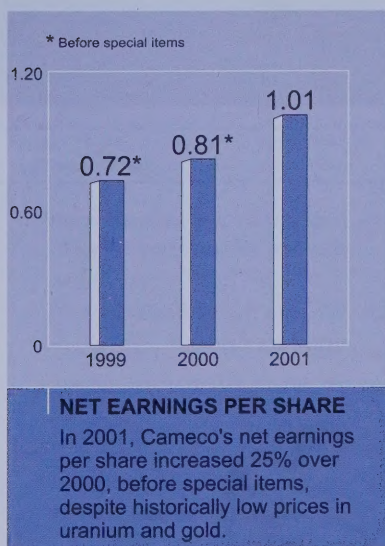
The other was the closing of the Bruce Power transaction in May, in partnership with British Energy. The

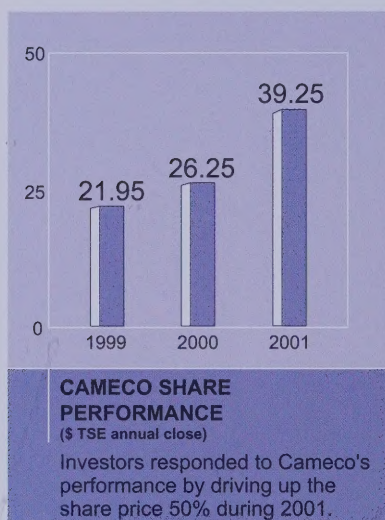
four Bruce B reactors have performed extremely well in 2001 and, with the decision to restart two Bruce A reactors in 2003, we have every reason to believe that the significant contribution expected from the Bruce Power arrangement will materialize.

Generally, from a marketing perspective, one should mention two noteworthy developments. In 2001, and for the first time in five years, the uranium price ended the year above its starting point. At December 31, 2001, the uranium spot market price was about \$9.50 (US) per pound U₃O₈, 34% higher than a year before, having experienced a steady recovery throughout the year. Similarly, the year 2001 saw a strong rise in the uranium conversion price which finished the year at \$5.25 (US) per kg U as UF₆, compared with \$3.25 (US) at the end of 2000.

These operational, strategic and market development highlights, together with

Highlights	2001	2000	Change
Financial (\$ millions except per share amounts)			
Revenue	701	689	+2%
Net earnings attributable to common shares	56	45 ¹	+24%
Earnings per share	1.01	0.81 ¹	+25%
Cash from operations	116	224	-48%
Cash flow per share	2.10	4.04	-48%
Average spot uranium price for the period (US\$/lb U ₃ O ₈)	8.77	8.21	+7%
Average spot market gold price for the period (US\$/ounce)	271	279	-3%
Cameco's average realized gold price for the period (US\$/ounce)	292	314	-7%
Weighted average number of paid common shares (millions)	55	56	-2%
Net debt to capitalization	15%	13%	+15%
Production (Cameco's share)			
Uranium concentrates (million lbs U ₃ O ₈)	18.8	16.6	+13%
Uranium conversion (UF ₆ +UO ₂)(tU)	10,958	9,327	+17%
Gold (thousand oz)	251	223	+13%
Currency is expressed in Canadian dollars unless otherwise noted.			
¹ Before special items			





Cameco's improved financial performance in 2001, have caught the attention of investors in Canada and the United States. The shares of Cameco closed the year 2001 at \$39.25 on the Toronto Stock Exchange, 50% higher than at the end of 2000 and Cameco was added to the S&P/TSE 60 index in October 2001.

Finally, the adoption by the government of Saskatchewan of a new, greatly simplified and more predictable uranium royalty regime with lower marginal rates was good news for Cameco and its shareholders.

Q: What were the company's disappointments in 2001?

A: Certainly the persistent weakness of the gold price, which averaged \$271 (US) per ounce, was a major disappointment. In fact, the average 2001 gold price was the lowest recorded in the past 23 years.

Another disappointment was the language adopted by the international negotiators of the treaty to implement the 1997 Kyoto Protocol. The treaty's language states that countries should "refrain from using nuclear power" in calculating emission credits for certain export programs - few, apparently,

know exactly what this means. Although regrettable given the clean air advantages of nuclear power, we at Cameco, and many others in the nuclear industry, believe that this will have no material impact on the future of the industry as common sense and necessity will eventually prevail.

It is very disappointing, however, that negotiators, supposedly concerned with greenhouse gas emissions and changes in the global climate, would knowingly ignore the only technology which can make, and already makes, a massive contribution to greenhouse gas emission avoidance.

Q: How is Cameco's financial position?

A: Cameco remains in a very strong financial position because of its ability to generate impressive cash flow from operations, as shown through the long period of low uranium and gold prices which we have seen in the past few years.

In 2001, the company generated \$116 million cash from operations. Since 1997 cash from operations has totalled nearly \$1 billion.

The 2001 figure, which may look disappointing to some, should be judged in relation to the large increase in accounts receivable which resulted from the year's uranium deliveries having occurred mostly in the last quarter. Without these operating items, cash from operations increased to \$205 million compared to \$201 million in 2000.

At year-end 2001, Cameco's net debt-to-capitalization ratio was 15%, well below the maximum we have established at a conservative 25%.

With a diversity of financial instruments in its portfolio, Cameco benefits from a sound and flexible mix of rates and terms.

The fact that Cameco enjoys one of the best credit ratings of any



Canadian mining company speaks to the company's financial strength.

Q: What is the outlook for uranium prices?

A: Uranium prices, like the prices for other commodities, have been difficult to forecast and the industry's predictions in the risky business of guessing the future have not been particularly accurate.



Photo - These turbines at the Bruce nuclear power station help generate clean electricity for customers in Ontario and profit for Cameco which supplies all the fuel. Cameco owns 15% of Bruce Power which leases the facility.

One can only look at the present uranium supply/demand equation and attempt to figure out what it means for the future.

The demand is quite predictable in a 10-year horizon. It is on the supply side that one finds more uncertainties, the most significant among them being:

1) the production capabilities of existing and potential new mines,

2) the inventories likely to be disposed of by producers, utilities and governments and, finally,

3) the supply from the Russian highly enriched uranium (HEU) nuclear weapons dismantlement program.

The production capabilities of existing mines are well established and their possible expansions are known. Potential new mines, the most

significant being the Cigar Lake mine whose timing Cameco influences, can be reasonably well estimated.

Two factors remain: the Russian HEU and the disposal of various inventories.

The amendment to the Russian HEU agreement which the signing parties, including Cameco, announced on November 26, 2001 has added considerable predictability to the entry of this uranium into the

western market. Cameco believes this to be a positive development for the future price of uranium.

The amount of uranium which may be sold from surplus inventory in a 10-year horizon is relatively well

known. What is less predictable is the timing and the rate of inventory disposal, as this largely depends on the needs and cash requirements of the sellers as well as their views about the future price of uranium.

Comparing the uranium demand with our best estimates about potential supplies, we at Cameco believe that new uranium production capacity will be needed, in addition to what is planned, including Cigar Lake. We also believe that the uranium price will have to move well above its present level for this to happen.

It is Cameco's view that the uranium market is more predictable today than it was a year ago.

For these reasons, we expect the uranium price to continue to increase, though at a more modest rate than 2001.

Q: What are the key factors likely to drive Cameco's financial performance in 2002?



Photo - 1. During 2001, the Kumtor operation produced the most gold at the lowest cost in its history and provided 16% of Cameco's revenue. 2. Welder Rob Whalen prepares to work on a compressed air pipeline in the piperack used for services between the UO_2 and UF_6 plants at the Port Hope conversion facility. 3. McArthur River uranium, transported inside specially designed containers, arrives at the slurry unloading station at the Key Lake mill which produced a record 18 million pounds in 2001.

A: 2002 will be another year to focus on cost control across the company and also during which Bruce Power will position itself to deliver the strong performance expected in 2003.

This said, as in 2001, our financial performance will be strongly influenced by the volumes and realized prices of our uranium and gold sales.

In the nuclear sector, we expect to modestly increase the sales volumes and hopefully the realized prices if the price trend observed through 2001 is sustained.

Bruce Power will pursue the implementation of the improvement program it has initiated, and its contribution to Cameco should not differ materially from what was achieved in 2001.

As for gold, we already know that Kumtor's 2001 record production and low costs will not be repeated in 2002, because the part of the deposit we will have to mine contains lower-grade ore. Most of Kumtor's expected sales in 2002 are already hedged and Kumtor's contribution to Cameco will not be significantly affected by changes in the gold price.

Q: What is Cameco's strategy for growth?

A: Cameco's strategy is to grow from its strengths and core competencies. Simply put, we want to do more of what we do well.

The uranium industry will remain our main focus because it is where we have a recognized expertise and where we have built a competitive advantage. Naturally, we want to continue to build on this position through 1) cost reductions, 2) production increases at existing operations, and 3) market share expansion where profitable for our shareholders. The geographic and

technological diversity of our operations and our access to secondary uranium supplies provide us with the capability to respond to any value-creating opportunity.

Cameco will maintain an active uranium exploration program in order to renew its unique high-grade, low-cost reserve base. It takes up to 20 years to discover and develop a new uranium deposit and therefore it is necessary to plan and invest now for Cameco's long-term outlook.

The uranium conversion business, as well, will see expansion. With increasing uranium consumption worldwide and a supplier having announced its exit from the UF₆ uranium conversion industry, Cameco expects that in a few years it will fully utilize its plant capacity.

Cameco is very pleased with its association with British Energy to produce nuclear electricity through Bruce Power. Not only will this relationship become more important with the planned operation of six nuclear reactors (four currently operating plus two beginning in 2003), but we will explore every opportunity to expand this relationship and to create similar arrangements with other quality partners.

While shareholders look at us as a company uniquely positioned in the nuclear industry, the fact that our gold production contributes to Cameco frequently goes unnoticed. We will continue to seek ways to leverage our gold assets and mining expertise to unlock their value for our shareholders. Gathering a critical mass of gold reserves and reaching beyond a threshold of production, without major new investment, will make it possible to unlock the unrecognized value of

Cameco's gold successes through an eventual merger or divestiture.

Cameco's present activities are expected to remain strong generators of cash flow and shareholders are naturally anxious to know what the company's plans are to make good use of it.

Cameco will seek to make and sell more of what it does well: uranium, uranium conversion, gold and, with quality partners, nuclear electricity.

Cameco will also seek to deploy its particular expertise in other phases of the nuclear fuel cycle or in technologies closely related to it where Cameco's know-how can make a meaningful contribution. Clean energy such as hydrogen used in fuel cells will be produced using competitive and non-emitting sources of electricity which, as suggested by the US secretary of energy, is likely to be nuclear power. Similarly, new technologies may be

“We want to do more of what we do well.”

introduced that significantly alter the way medical isotopes are produced and marketed and may provide a unique opportunity for Cameco to leverage its knowledge.

In all cases, Cameco will remain guided by the principle that growth for the sake of growth is not acceptable. Cameco plans to grow in a disciplined way, ensuring that any initiative creates value, achieving risk-adjusted returns above the cost of capital.

Failing to identify growth initiatives meeting its criteria, Cameco will return surplus cash to shareholders through increased dividends or share buy backs or both.

LEADERSHIP



**"CAMECO MAKES A
SIGNIFICANT
CONTRIBUTION TO
SOCIETY."**

Photo - Laboratory technologist Terry Grexton takes a soil sample near the Blind River refinery which achieved ISO 14001 certification in early 2002.

TO CAMECO, SOCIAL RESPONSIBILITY MEANS achieving the highest sustainable growth while contributing to the maintenance or enhancement of overall environmental, social and economic assets available to future generations.

In 2001, Cameco adopted a corporate social responsibility policy that formalizes the company's long-standing commitment to making a positive and durable contribution to society. The company will achieve this by not only meeting shareholders' expectations of financial returns, but also as an employer of choice, a leading performer in environmental protection and worker safety, and a participant in the

economic and social development of the communities where the company interacts.

Financial Management

Cameco is committed to maintaining a conservative financial structure that has provided a solid foundation for growth. The company's current net debt to total capitalization ratio is 15% and it holds one of the best credit ratings in the Canadian mining industry.

Through the last five years of depressed uranium and gold prices, Cameco's balance sheet has been resilient, providing the company with flexibility to respond to opportunities and challenges.

Strong cash flow has been Cameco's hallmark during its first decade as a public company. In the last five years, the company's operations have generated total cash flow of nearly \$1 billion. With significant cash flow expected in the coming years, Cameco will seek attractive investments to enhance its core business and build on its unique position in the nuclear industry. By doing so we will create additional wealth for our stakeholders and rewarding opportunities for our employees and business partners.

Cameco is also highly committed to transparency in its financial accounting and reporting to ensure that the investment community has access to timely and accurate information upon which to make investment decisions.

Employee Commitment

Cameco encourages the trust and loyalty of its employees by providing fair and competitive compensation, ongoing training and development opportunities and a safe and respectful workplace.

The goal of Cameco's employee compensation program is to ensure salaries and benefits remain competitive. In addition, the company offers share options, annual performance bonuses and a corporate-wide incentive plan to reward employees for achieving corporate objectives in cost control, return on average capital and specific department targets. In 2001, the average

payout of the incentive plan was \$3,190 per eligible employee.

Cameco also offers all its employees access to comprehensive in-house training opportunities in safety, operations, technical skills, and professional development. At its Saskatchewan operating sites, the company also provides voluntary workplace education programs to encourage interested employees to upgrade their educational skills and qualifications with the help of professional adult educators.

In 2001, Rabbit Lake was temporarily shut down and put on care and maintenance. Cameco implemented a comprehensive employee support program to minimize the loss of its

workforce and the impact of layoffs on employees, their families and communities. The result was 19

employees were redeployed, 68 received supplemental income and 63 employees were involved in sharing their jobs.

More than 65% of Cameco's employees are represented by a union, including the workforce at Kumtor. In its 13-year history, Cameco has never had a work stoppage. In 2001, a three-year collective bargaining agreement was finalized with the United Steelworkers of America at Port Hope.

Cameco's commitment to employee relations is reflected in the company's

employee turnover rate, which dropped to 6.4% in 2001 compared to 7.8% in 2000 and 9.9% in 1999. The turnover of national staff at the Kumtor gold operation was only 4.4% in 2001.

Environment

Social responsibility at Cameco involves minimizing, as much as reasonably achievable, the impact of its operations on the physical environment. The company achieved a high level of regulatory compliance in 2001. Through effective environment programs, the company limited its reportable environmental incidents in its worldwide operations to 14, none with any significant environmental impact.

"Cameco offers all its employees access to comprehensive in-house training opportunities."

In an effort to improve this performance, Cameco has adopted a comprehensive environmental management system (EMS). The EMS is complemented by innovative process improvements, ongoing reclamation of disturbed areas, systematic recycling of byproducts, minimizing waste generation and through structured and ongoing communication with the public.

Cameco designed and implemented its EMS based upon the International Standard of Organization 14001

(as of December 31, 2001)

	Uranium		Gold		Total
	Cameco and subsidiaries	Long-term contractors	Cameco subsidiaries	Long-term contractors	
Canada	1,275	125	9	-	1,409
United States	115	11	5	-	131
Kyrgyzstan	-	-	1,529	70	1,599
Kazakhstan	2	5	-	-	7
Australia	13	-	-	-	13
Total	1,405	141	1,543	70	3,159

EMPLOYMENT

(ISO 14001) system. ISO 14001 provides a framework to ensure a high level of environmental performance, regulatory compliance, pollution prevention, continual improvement and third party auditing. The Port Hope conversion facility was certified ISO 14001 compliant in 2000 and the Blind River refinery achieved certification early in 2002. All other Cameco facilities will pursue ISO 14001 status in the near future.

The company recognizes that ensuring continual improvement in environmental protection requires research and development. To emphasize the importance that Cameco attaches to innovation, an internal award has been established to recognize creative and successful initiatives. In 2001, a mill general foreman at Key Lake received the award for his suggestion to modify a process circuit to reduce chemical consumption and achieve more consistent plant operation.

A more visible illustration of Cameco's commitment to environmental stewardship is the company's reclamation efforts on disturbed areas. In 2001, hydro-seeding and tree planting occurred on about 35 hectares of previously disturbed land at McArthur River and Rabbit Lake. Ongoing reclamation efforts at Key Lake have resulted in about 20% of previously developed areas being officially reclassified as reclaimed. To ensure positive outcomes from all reclamation efforts, particularly tailings and waste rock management, Cameco conducts extensive research and develops detailed plans to identify the preferred options for eventual decommissioning.

In fuel services, Cameco has been engaged for several years in a clean up program at

the Port Hope conversion facility to remove old buildings, equipment and materials. Already \$4.4 million has been spent on this reclamation initiative.

To the extent possible, Cameco conducts recycling at all of its operations to reduce the consumption of chemicals and reagents and minimize the

"Cameco strives to improve environmental protection through research."

generation of waste. Recycling has become standard practice at Cameco, involving both the generic – such as scrap metal, oil and solvents, plastics and paper products – and the unique, such as ammonia by-products recycled at Key Lake and Port Hope to produce high-quality fertilizers.

At Port Hope these efforts have been particularly successful since the amount of annual waste generated today is about 10% of what it was in the late 1980s.

As part of Cameco's drive for continual improvement, a trial was undertaken in 2001 to verify the feasibility of recycling by-products from Blind River and Port Hope in the Key Lake mill to recover uranium – a longstanding practice elsewhere in North America. The trial confirmed that such recycling would be successful at Key Lake, achieving high uranium recovery with negligible environmental and safety impacts. Cameco now intends to seek regulatory approval to implement this recycling on a regular basis.

Communication with the public is an essential component of Cameco's environmental responsibility. In northern Saskatchewan, Cameco is actively involved in an impact management agreement with seven aboriginal communities to address specific aboriginal concerns around mining and environmental protection. A community-based environmental monitoring program has evolved under the agreement,



Photo - Key Lake summer student Lazar Lafleur changes a hi-vol filter at the Wolf Creek station located near the mill. Employees use these devices to help monitor air quality at Cameco's operations.



LOST-TIME ACCIDENT FREQUENCY

(per 200,000 hours worked)

A) Cameco Employees and Long-Term Contractors Cameco's accident frequency compares favourably to the 1.3 and 1.1 frequencies recorded by the Ontario and Saskatchewan mining industries respectively.

B) Cameco Employees Only Since Cameco was formed, the company has continually strived to improve its safety record.

involving local residents in the collection of water, air, plant and animal samples. The samples are analyzed at independent laboratories and the results reported back to the communities.

Furthermore, three environmental quality committees have been established in northern Saskatchewan by the provincial government to ensure a regular dialogue between northern communities, government and the uranium industry. Committee members include representatives from 29 northern communities. These groups regularly visit Cameco operations to review and discuss environmental performance and other matters with the company.

Health and Safety

Cameco strives to be a leader in protecting the health and safety of its employees and members of the public who may be affected by its operations. At Cameco, no job is so important that we cannot take the time to do it safely.

In 2001, Cameco introduced a new health and safety management system to ensure a consistent approach to safety across the various operations and to stimulate an ongoing search for improvement.

The safety performance of employees and contractors working at Cameco-operated facilities in 2001 demonstrates the

company's resolve to operate safely. The overall occupational lost-time injury frequency (number of lost-time accidents per 200,000 hours worked) was 0.22 in 2001, compared with 0.41 in 2000 and 0.53 the year before. Cameco's safety performance was much better than the 1.10 and 1.30 frequencies reported in 2001 by the Saskatchewan and Ontario mining industries respectively.

The Kumtor gold operation located at high altitude in a remote region of Central Asia achieved a remarkable 0.11 lost time injury frequency and recorded two million hours worked without a lost-time accident. For that reason, the Kumtor operation was selected to receive the chairman's Mary-Jean Mitchell Green award for safety achievement.

Industry peers also recognized Cameco's safety achievement early in 2001. Cameco's Rabbit Lake operation received the John T. Ryan award from the Canadian Institute of Mining Metallurgy and Petroleum for safety excellence in a metals mine.

Conventional industrial safety is complemented by a strong emphasis on employee radiation protection. Through 2001, the radiation exposures of all the employees and contractors engaged in Cameco's operations were well below the regulatory standard. Even with a 54%

production increase at the high-grade McArthur River mine during 2001, the average worker's radiation exposure declined from 1.1 millisievert (mSv) in 2000 to 1.0 mSv in 2001, one-twentieth of the allowable limit. With average radiation exposures of 1.0 mSv at Port Hope, 1.1 mSv at Rabbit Lake and Blind River, and 1.4 mSv at Key Lake, it can be said that the procedures adopted by Cameco to protect workers from radiation are most effective. The highest individual dose recorded in 2001 was 10 mSv, half the allowable limit. To put things into perspective, the typical annual radiation exposure received from nature by a person living in North America falls in the 2 to 3 mSv range.

Cameco's focus on health and safety extends beyond plant operations and reaches into the community. In Port Hope, a community awareness and emergency response (CAER) group was formed to integrate the local emergency response plan with Cameco's. In 2001, the group coordinated the installation of a Cameco-sponsored community alert network to provide instant communication with residents in the event of emergency. This co-operative effort led to the recognition of Port Hope under the Ontario Partnership Toward Safer Communities program in 2001, one of only five communities recognized.

Community Investment

Cameco, its subsidiaries and permanent contractors currently employ more than 3,150 people worldwide. Kyrgyz nationals made up more than 93% of Kumtor's 1,600 permanent workers, including long-term contractors. More than 54% of Cameco's permanent operations workforce in Saskatchewan are from northern communities and 45% are of aboriginal ancestry, making Cameco one of the

leading industrial employers of aboriginal people in Canada today.

In 2001, Cameco was one of only two companies to receive "gold" level national recognition for aboriginal relations in Canada. The designation, sponsored by the Canadian Council for Aboriginal Business and certified by the National Quality Institute, is awarded to Canadian companies that have developed and sustained progressive aboriginal

relations programs in the operation of their business.

Cameco also encourages business development for companies around its operations through a "buy local" program. Of the \$106 million in purchases to support Cameco's 2001 Saskatchewan mining operations, over \$42 million was spent in the north. Furthermore, almost 60% of the company's service contracts were awarded to northern Saskatchewan companies.

Cameco also has a dynamic community investment program to encourage local services and organizations. In 2001, Cameco invested more than \$550,000, equivalent to about 1% of earnings, in support of organizations and events that improve community life. In addition multi-year commitments totaling \$700,000 were made to a river valley enhancement project in Saskatoon and a health care facility and library in the Port Hope region.

Cameco's commitment to social responsibility has helped increase awareness of the company and support for its continued operations. In 2001, a poll of Saskatchewan residents showed a 69% level of support for the uranium mining industry.



Photo - 1. Cameco was proud to sponsor Dare to Dance which brought together more than 300 dancers for a show unique in Canada combining youth, music, cultural groups and professional dancers. (Photo Credit: Dave Schriff, David's Sports Photography) 2. Since its inception in 1998, Cameco has supported the Canadian Challenge, an annual 530-kilometre sled dog race which takes place in northern Saskatchewan. 3. Cameco underwrote the costs of a successful \$5 million fund raising campaign to double the length of the trails in the Saskatoon river valley and provide more opportunities for people to enjoy the valley's history, culture and beauty.

STRENGTH

Contents

This management's discussion and analysis (MD&A) is designed to provide investors with an informed discussion of Cameco's business activities. The MD&A is organized into the following six sections:

Overview

The nature of Cameco's business lines are described including the types and locations of operations and the key financial drivers. The important corporate developments for the year are discussed. A review of the consolidated financial results completes the section.

Markets

To facilitate understanding of Cameco's business environment, this section provides a review of conditions and trends in the uranium and gold markets into which the company sells its products and services. Trends and their potential impact on the nuclear energy industry and on the company, including Bruce Power, are described.

Business Segments and Corporate Expenses

This section provides a detailed explanation of the financial results achieved by Cameco during the year in the nuclear and gold business segments. Cameco's share of the business results of Bruce Power are also discussed. Also reviewed are those corporate expenses (administration expenses, interest costs and income taxes) incurred to support the company's operations.

Cash and Liquidity

This discussion provides insight into the company's ability to generate cash flow and the areas to which cash is directed to achieve business objectives.

Business Risks

This section outlines risks in the company's business environment and how the company manages those risks.

The Future

This section outlines current key business conditions, trends and risks that may affect the operating results and the financial health of the company.

Note:

All dollar values in this MD&A are expressed in Canadian currency unless noted otherwise.

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OVERVIEW

Cameco's Business

Cameco's core business lies within the nuclear energy industry as a leading supplier of uranium concentrates and uranium conversion services. The company also operates a large gold mine in Central Asia and is a limited partner in the Bruce Power Limited Partnership (Bruce Power) which generates and sells nuclear electricity in Ontario.

Cameco is the world's largest uranium concentrates supplier. The company's competitive position is based upon its large, high-grade reserves and low-cost operations. Cameco mines uranium in Canada and the United States and sells uranium concentrates (U_3O_8) from these and other sources. This material is undifferentiated from the uranium sold by Cameco's competitors. Cameco's U_3O_8 is sold primarily through long-term contracts negotiated between the company and its customers. Uranium is not traded on any commodities exchange.

The company operates two uranium conversion plants in Canada. Conversion is a process whereby U_3O_8 is purified and converted into uranium hexafluoride (UF_6), an intermediate compound in the production of fuel for light water reactors, or into natural uranium dioxide (UO_2) which is used as fuel for heavy water reactors.

The company is also a producer of gold.

The most significant factors affecting the financial performance of Cameco are:

- the market prices for U_3O_8 and conversion services as determined by market supply and demand,
- sales volumes for nuclear products and services as specified in the company's portfolio of long-term contracts,
- foreign exchange rates, primarily between the Canadian and US dollars,
- the market price for gold,
- unit costs of production, and
- electricity generated and prices realized by Bruce Power.

Uranium is the fuel nuclear reactors use to generate electricity. More than 430 reactors operate in 31 countries and account for about 16% of the world's electricity. The US, where nuclear power generated about 20% of the electricity in 2001, is the largest market for nuclear products and accounts for over 35% of the western world's uranium consumption.

Globally, demand for electricity is growing at an annual rate of 2.8%, faster than the total demand for energy. This is due to economic growth and in particular to the industrialization of the developing world. Annual growth in uranium demand is expected to remain at about 1% over the next 10 years as improvements in existing reactors and new reactor startups are offset by forecasted closures. Supplies of uranium are provided by primary production centres like Cameco's mines and secondary sources such as excess utility and government inventories. About 151 million pounds U_3O_8 is consumed annually in the western world. Approximately 60% of this consumption in 2001 came from world primary production, continuing a 16-year trend of under-production.

Highlights of the Operating Year

During the past year, Cameco achieved some important milestones. At the same

time, the markets improved for Cameco's uranium products and services. Key developments are noted below.

First, the McArthur River and Key Lake operations achieved their design capacity of 18.0 million pounds, exceeding the goals set at the beginning of the year.

Second, the Kumtor operation achieved record gold production of 753,000 ounces (Cameco share: 251,000 ounces) which contributed to its lowest-ever cash unit cost of \$142 (US) per ounce.

Third, Cameco acquired a 15% interest in Bruce Power, Ontario's largest independent power producer. Cameco will be the sole fuel supplier to Bruce Power for the next 17 years.

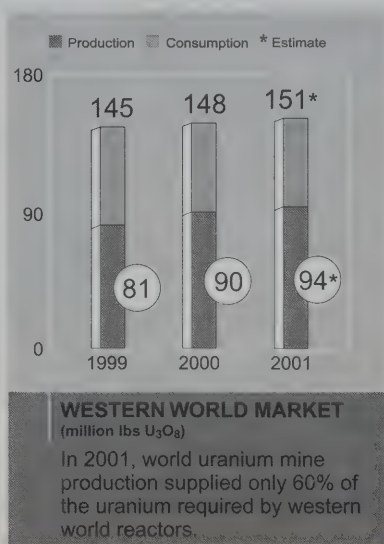
Fourth, following an extensive analysis at Bruce Power, Cameco and its partner, British Energy, decided to invest \$340 million to re-start two units at the Bruce A nuclear plant in 2003, increasing Bruce Power's generation capacity by almost 50%.

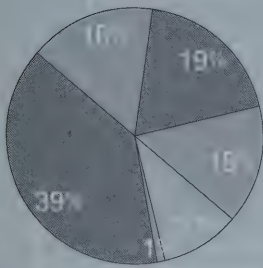
Fifth, emulating the example set by the Port Hope Conversion Facility in 2000, the Blind River refinery achieved ISO 14001 certification (February 2002), an international standard for environmental performance. In addition to achieving a high level of environmental compliance, the company recorded low levels of reportable incidents in 2001.

Sixth, late in the year, the government of Saskatchewan announced a new uranium royalty regime which is simpler, more predictable and introduces significantly lower marginal rates. The company believes it will benefit over the longer term as uranium markets improve.

Seventh, Cameco exercised options for some 63 million pounds U_3O_8 under the HEU feed component agreement with Russia, providing a predictable additional source of supply and market stability.

Finally, with the 2,700 persons involved directly in Cameco's operations, employees and long-term contractors achieved their best-ever accident record of





WORLD ELECTRICITY GENERATION

Nuclear energy accounts for 16% of the world's electricity generation.

Nuclear	16%
Hydro	19%
Gas	15%
Oil	10%
Others	1%
Coal	39%

0.22 lost-time accidents per 200,000 person hours worked.

Recent Event

On February 14, 2002, the province of Saskatchewan sold 5.4 million common shares of Cameco stock in the secondary market. As the founders of Cameco in 1988, the province and the Canadian government began to divest of their interests in the company in 1991. With this most recent sale, the divestment program has been completed with neither government continuing to hold any common shares in Cameco.

In comparing the results for 2001 to the previous year, the following discussion excludes the writedown of mineral properties (\$128 million) and the provision for waste disposal (\$20 million) taken in 2000. The after-tax effect of these special items was \$132 million (\$2.38 per share). There were no similar items in 2001.

Consolidated Financial Highlights

Consolidated Earnings

For 2001, net earnings attributable to common shares were \$56 million (\$1.01 per share) compared to \$45 million (\$0.81 per share), excluding special items, in 2000. The increase was attributable to the inclusion of Cameco's share of earnings from Bruce Power of about \$7 million after tax. Earnings also benefited from

improved results in the gold segment and reduced costs for administration, exploration and income taxes. Earnings from the gold business increased due to higher production and a lower unit cost. The effective tax rate for the year was 39% compared to 49% in the previous year due to a greater proportion of pre-tax earnings being realized outside of Canada where they are subject to lower tax rates. These improvements were partially offset by lower earnings from the nuclear business due to a reduction in the realized selling prices for nuclear products. Although spot prices have been rising, there is a timing lag before they are reflected in the realized prices.

Earnings from operations were \$95 million in 2001 compared to \$102 million before special items in 2000.

Cash Flow

In 2001, cash from operations, before the changes in other operating items such as accounts receivable and payable, was \$205 million compared to \$201 million in 2000. In 2001, sales in the nuclear business were unusually high in the month of December. As a result, accounts receivable at the end of the year were \$116 million higher than at the end of 2000. After changes in other operating items, cash flow from operating activities of \$116 million was significantly lower than in 2000.

The increase in accounts receivable was also the primary cause of the higher debt level which rose by \$60 million to \$354 million at the end of 2001. The net debt to capitalization ratio rose to 15% from 13%. In January 2002, \$161 million in account receivables were collected.

Inventories

At the end of 2001, total product inventories amounted to \$354 million, \$11 million or 3% lower than the previous year-end. This decline was due to the depletion of the broken ore stockpile at Rabbit Lake in preparation for the planned one-year shutdown. For the first time in several years, all inventories were

CONSOLIDATED FINANCIAL HIGHLIGHTS

	2001	2000	% Change
	(\$millions, except where noted)		
Revenue	\$ 701	\$ 689	2
Earnings (loss) from operations	95	(46)	—
Net earnings before special items *	56	45	24
Net earnings (loss) *	56	(87)	—
Cash provided by operations			
before other operating items	205	201	2
Cash provided by operations	116	224	(48)
Production			
Uranium production (million lbs U ₃ O ₈)	18.8	16.6	13
Conversion operations			
(UF ₆ & UO ₂) (thousands tU)	11.0	9.3	18
Gold production (thousands oz)	251	223	13

* Attributable to common shares

categorized as current assets due to lower levels of inventory at year-end and higher expected deliveries for 2002.

The company had targeted a 10% reduction in inventory during 2001. This was not achieved due to earlier than expected achievement of consistent rates of mine production at McArthur River and higher mill output at Rabbit Lake prior to its planned one-year shutdown.

MARKETS

Uranium Market Review

Spot Uranium Market

Slightly higher demand coupled with the presence of less aggressive inventory sellers caused the spot uranium price to rise by 34% over the year. The market was more active in 2001 than in 2000, although only 11% of the western world's uranium consumption was sold on the spot market in 2001, compared to an average of about 15% over the past five years.

Long-Term Uranium Market

The published long-term contract price indicator closed the year at \$10.50 (US), a 14% increase during 2001, reflecting less aggressive selling by some suppliers. Increasing spot prices, continued low spot volumes, and more moderate selling created the expectation of tightening supplies and thus had a positive impact on long-term prices. Historically about 85% of all uranium is sold under long-term, multi-year

contracts with deliveries starting one to three years after signing.

In 2001, combined volumes negotiated in the spot and long-term markets represented only 64% of western world consumption.

Spot Conversion Market

Spot prices for UF₆ conversion services rose during the year to \$5.25 (US) per kg U as UF₆. Prices increased due to the more limited availability of secondary supplies.

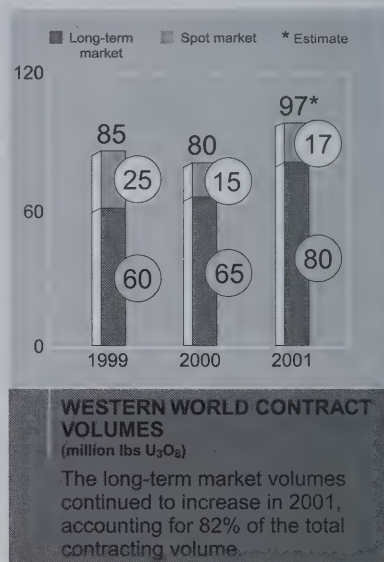
Significance to Cameco

Cameco does not sell uranium or conversion services on the spot market. However, approximately 60% of Cameco's uranium under long-term contract is sold at prices which reference the spot market price near the time of delivery, and a significantly lower percentage of the company's conversion contracts reference the spot conversion market price near the time the service is performed.

The company has under contract for delivery over the next decade, more than 100 million pounds U₃O₈ and more than 60,000 tonnes of uranium conversion. Cameco has purchase commitments, the majority of which are under fixed-price arrangements, for nuclear products and services from various sources totalling \$872 million (US) as at December 31, 2001. See note 23 to the consolidated financial statements.

Trends in the Nuclear Power Industry

A number of important trends continue to evolve which affect Cameco's business environment.



Nuclear Utilities Consolidate

Faced with deregulation, electric utilities in the US and Western Europe are restructuring through mergers and acquisitions to achieve economies of scale and to consolidate expertise.

In the US, consolidation continued in 2001. Assuming all of the announced acquisitions occur, the 12 largest nuclear utilities will own about 68% of US nuclear capacity compared to about 53% at the end of 1999.

Over time, deregulation is expected to create greater electricity price competition, and as a result low electricity production costs are becoming increasingly important. Larger buyers of uranium and conversion services are likely to seek ways to minimize the impact of price volatility and optimize their nuclear fuel purchasing and holding costs, with potential benefits and risks for a major supplier such as Cameco.

Nuclear Plants Operate Better

Many utilities have upgraded the performance of their reactors, generating more electricity at lower costs. In 2000, world electricity production from nuclear power plants had increased 15% compared to 1994. This is equal to the output from over 30 large new nuclear power plants. In the same period, there was a net gain of only five new reactors

URANIUM MARKET HIGHLIGHTS

Market

Year-end Prices \$ US/lb U₃O₈

	2001	2000	% change
Spot uranium	9.50	7.10	34
Long-term uranium	10.50	9.25	14

Market

Year-end Prices \$ US/kg U as UF₆

	2001	2000	% change
Spot UF ₆ conversion	5.25	3.25	62

and a 3% gain in capacity expansions, with the balance due to better performance from existing power reactors. US capacity factors continue to improve and have averaged about 91% in 2001, nearly 1% higher than in 2000. European countries are also setting records for nuclear generation of electricity and many countries have reported an increase in the share of electricity produced by nuclear. Sweden's nuclear share of overall domestic electricity production increased 5% to 44%, while preliminary electricity production numbers for France show nuclear generated electricity's share of the market was 1.5% higher than in 2000, accounting for 76% of total electricity production.

Existing Nuclear Plants Increase Capacity

Nuclear plants can increase generating capacity through the installation of more efficient equipment or improved instrumentation, or both. This is referred to as an uprate. Uprates can increase a power plant's capacity by 2% to 20%. In most cases, an increase in capacity translates into increased demand for uranium and conversion services.

In 2001, the US nuclear industry was authorized to uprate 20 of the nation's 103 reactors, resulting in an increase in capacity of 1,091 megawatts. This is the equivalent of adding a large power plant to the grid. In Europe, nuclear reactors in Belgium, Finland, Sweden, and Germany have uprated their generating capacity and other countries have plans to do so as well.

Nuclear Plant License Extensions

In 2001, one US nuclear unit received a 20-year license extension, joining the five that received extensions in 2000. Two units have already received license extensions in 2002. Operators of a further 44 units have applied or are expected to apply for extensions in the next few years. In total, this represents almost 50% of US nuclear generating capacity.

The Russian government has announced ambitious plans for nuclear energy. Russia

has stated it will be extending the lives of existing reactors for an additional 10 years over the original design specifications to increase electricity generating capacity. The plans include the completion of three reactors whose construction was halted in the late 1980s, and building 23 new units over the next two decades.

Security at Nuclear Facilities

With the terrorist attacks in September of 2001, public concern was heightened about security at nuclear facilities and the potential for exposure to radioactive release caused by such attacks. According to the Nuclear Energy Institute in Washington, D.C., US nuclear plants are equipped for, and prepared to defend against, most types of attacks. They are structurally fortified to withstand the impact of natural forces like hurricanes and tornadoes and airborne objects up to a very substantial force.

The US nuclear industry believes that its current plant security measures are highly effective in deterring terrorist acts and safeguarding the public but it continues to explore ways to further enhance its security programs.

Nuclear Power and Politics

In Europe, while some reactor closures may occur in the short term as a result of political decisions, countries still must deal with economic and environmental realities, and the need to meet the growing electricity demand.

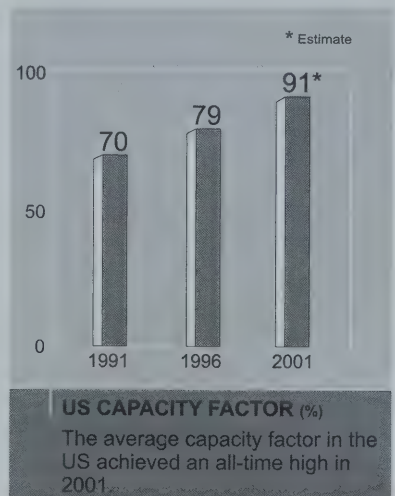
In Sweden, the government has again postponed the premature closure of a nuclear reactor until the end of 2003 or later, citing the lack of emissions-free replacement power and potential power shortages.

In December 2001, the German parliament approved a law to phase out nuclear power over the next 20 years. The first closures are scheduled for 2003 and the last in 2021. However, a German federal election is expected in 2002 and the main opposition leader has stated that the present phase-out policy will be revoked if he is elected.

In France, a government study on future generation options indicated that the best scenario includes extending the operation of existing nuclear reactors and not building any new electricity capacity (nuclear or otherwise) until at least 2020. The study concluded that closing France's 58 power reactors by 2020 would trigger significant costs, lead to higher taxes, lower economic growth and higher unemployment.

In May 2001, the US president released a national energy strategy recommending that nuclear power be a major component of the US electricity mix. Later in the year, the US House of Representatives passed a comprehensive energy bill that included provisions for the reduction of barriers to, and incentives for the use of, nuclear energy. The US Senate will debate a revised version of this bill early in 2002. The US Department of Energy has announced a program of early site review involving two US nuclear utilities with the goal of having a new US nuclear plant operational by 2010.

On a negative note, at United Nations climate change meetings, nuclear power was excluded from the list of technologies that qualify for export credits toward the reduction of greenhouse gas emissions. Since nuclear is a non-emitter of CO₂, the most serious greenhouse gas, it would seem climate change negotiators have set aside one of



the most effective technologies able to solve the problem of global warming.

Cost of Energy Supply

A major European study, released in 2001, concluded that nuclear energy incurs about one-tenth the social, health and environmental costs of coal. According to the study, if the health and environmental effects of coal and gas generation were taken into account, the European Union price of electricity from coal would double, and from gas would increase 30%.

In 1999, the latest year in which full data is available, the direct costs of US nuclear power production were lower than those of coal for the first time since the mid 1980's. Preliminary data shows that 2000 costs continued this trend. The steady decline in costs is largely attributable to improved performance at US nuclear power plants.

Impact on the Nuclear Industry

The foregoing trends were generally positive for nuclear, and there was much discussion of a "nuclear renaissance" in 2001. However, it is difficult to know whether these trends and the national debates on the long-term future of nuclear power will eventually result in more or less favourable conditions for the nuclear industry.

Improved reactor operations, uprates and the extension of reactor lives make it highly likely that the current level of uranium and conversion demand will continue for many years. In the shorter term, buyers' perceptions that there are ample supplies of uranium should change as excess inventories decline. This should cause uranium prices, in the future, to more closely reflect the costs of developing and operating uranium mines.

Update on Uranium Supplies

Inventory Drawdown Continues

Prior to 1985, uranium production exceeded reactor requirements due, in large part, to government incentive programs that anticipated rapid growth of nuclear

generated electricity. The result was a build up of large inventories. For the past 16 years, production has fallen short of annual requirements and a large portion of these inventories has been consumed.

The drawdown of excess inventory held by western world utilities, producers, governments and others in 2001 was estimated at 35 million pounds U_3O_8 , similar to the previous year. Over 500 million pounds of excess world inventory has been drawn down since 1985. Inventory drawdown in 2002 is expected to continue at the 2001 rate.

World Uranium Production Update

World production in 2001 was estimated at about 94 million pounds U_3O_8 , an increase of 4% from 2000. Western world production increased by 2% to about 73 million pounds. Production in 2002 is expected to be about the same as 2001.

Russian Uranium from Highly Enriched Uranium (HEU)

As a result of a 1994 agreement between the US and Russia to reduce the number of nuclear weapons, additional supplies of uranium have been available through the HEU natural uranium feed agreement (the HEU agreement).

In 2001, all scheduled HEU deliveries were received in the US. Cameco took delivery of its US quota share. The

uranium not purchased by the partners to the agreement, is being returned to Russia, to be held in a segregated stockpile or used by Russia in blending down additional HEU. Russian HEU is a significant and necessary source of supply for the western world uranium market.

Conversion Supply Consolidates

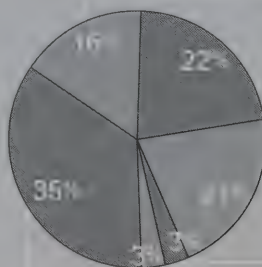
In February 2001 British Nuclear Fuels Limited (BNFL) announced that it would halt UF_6 production in 2006. BNFL also stated it was immediately ceasing the marketing of UF_6 conversion services. Uncommitted UF_6 production until plant shutdown will be sold to Cameco. BNFL's decision will contribute in the future to a more balanced supply and demand for the uranium conversion market.

Ontario Electricity Market

In November 1997 the government of Ontario established a framework for restructuring the provincial electric power industry. Through this initiative the province is shifting from a monopoly-based electricity system to a competitive electricity market. On December 18, 2001 the Ontario government reaffirmed that the electricity market would be open to competition as of May 1, 2002.

Upon market opening the existing arrangement through which Bruce Power sells all of its output at a fixed

Data estimated 2001



million lbs U_3O_8

Africa	15
CIS/China	21
Australia	20
US	3
Other	2
Canada	33
Total	94

WORLD URANIUM PRODUCTION

Cameco's 19 million pounds of U_3O_8 production represented 20% of the world output.

price to Ontario Power Generation will terminate. From that time forward, Bruce Power will sell its output to the new Independent Market Operator (IMO) spot market and to wholesale electricity customers such as power traders, local distribution companies, new retailers and large industrial power users. Bruce Power has already negotiated a number of wholesale contracts for a significant part of its expected output. Bruce Power is not adversely affected by the collapse of Enron Corp.

Gold Market Review

Gold prices began the year at \$271 (US) per ounce and ended 2001 marginally higher at \$277 (US) per ounce. The average spot price for the year was \$271 (US) per ounce, the lowest annual average in over 20 years. In spite of this relatively narrow price range, market fluctuations were significant throughout the year.

Weak gold prices at the beginning of 2001 recovered in late February after a perceived tightness in supply boosted short-term lease rates above 6%. The rally proved to be short lived however and in early April gold recorded its low for the year at \$256 (US) per ounce.

By mid April, inflationary concerns put gold back in the spotlight and in late May the market reached a level of \$291 (US) per ounce. Prices retracted after market data and bond yields helped calm inflationary worries.

The last peak of the year occurred on September 11th in response to the terrorist attacks in the US. Gold prices rose that day to \$287 (US) per ounce, up from \$272 a day earlier. The high for the year was recorded a week later at \$293 (US) per ounce. Prices remained well supported throughout September but eased again in October as weakening investment demand prompted profit-taking and fresh selling interest.

Economic indicators for gold are mixed. Weak stock markets and easing monetary policy are positive. On the other hand, a strong US dollar appears to pose a



continuing barrier to sustainable improvement in gold prices. Overall, the gold market appears to have stabilized above its recent lows and may be positioned to benefit from continuing global economic and political uncertainty.

Management's Strategy

While the market for uranium concentrates improved significantly in 2001, the portion of the long-term contract portfolio which comprises market-related contracts did not fully reflect the improved price levels of late 2001. Gold prices to the end of 2001 remained depressed at their lowest average level in more than two decades. Cameco has remained focused on its core businesses and in building on its fundamental strengths.

Cameco's strength lies in the dominant position it holds in uranium mining, conversion and marketing; the fact that it controls and has been able to develop the industry's lowest-cost reserves, competitive conversion facilities, and marketing relationships with secondary suppliers of uranium.

As market conditions have evolved, Cameco has sought to further exploit these advantages and to leverage them in related opportunities where it can apply its strategic position and core competencies to advantage.

Fundamentally, Cameco has focused on doing more of what it does best, and this

continues to lie at the heart of its strategy going forward.

In pursuit of this strategy, in 2001, the company:

- Continued to pursue cost reductions throughout the organization and achieved design capacity production levels at the McArthur River mine;
- Acquired a 15% interest in Bruce Power and agreed to participate in the investment to re-start two units at the Bruce A nuclear plant in 2003;
- Successfully pursued its mining plan at Kumtor, where gold production set a record level and cash costs were the lowest since the mine opened;
- Expanded uranium reserves at McArthur River;
- Replaced reserves at Kumtor;
- Continued to pursue development of the rich Cigar Lake uranium deposit, while reserving commitment on the bulk of project expenditures until the uranium market can support additional investment;
- Signed an amendment to the HEU agreement to ensure the continued supply of uranium derived from Russian nuclear weapons into western markets; and,
- Focused on improving its safety and environmental record, achieving notable milestones.

To build on the strength of its market position in 2002, Cameco will:

- Actively pursue cost and production efficiencies in its uranium mining and conversion businesses;
- Work to improve its market position through continued preparation for development of deposits at Inkai in Kazakhstan, and at Cigar Lake;
- Support, with its partner British Energy, Bruce Power's programs to improve productivity and processes, to effectively manage the transition to electricity market opening in Ontario, and to bring two Bruce A reactors on stream in 2003;
- Explore opportunities to expand its relationships in electricity generation with British Energy or other quality partners;
- Evaluate opportunities in new markets or technologies where the use of nuclear energy comes into play; and,
- Seek to maximize value in its gold assets.

BUSINESS SEGMENTS AND CORPORATE EXPENSES

Nuclear Business

Cameco's nuclear business consists of the McArthur River, Key Lake and Rabbit Lake mine/mill operations in Saskatchewan, the in situ leach (ISL) operations in the US, the uranium conversion plants in Ontario, the testing of the Inkai ISL property in Kazakhstan, the licensing for development of the Cigar Lake project in Saskatchewan, the exploration for uranium

in North America and Australia, and the investment in Bruce Power.

Revenue

In 2001, revenue from the nuclear business rose by 1% to \$586 million due to a 3% increase in nuclear sales volume over the previous year. Revenue was negatively influenced by a moderately higher percentage of uranium concentrate sales having market-related pricing which are currently lower than fixed-price sales contracts.

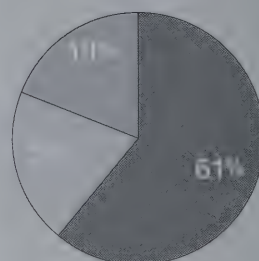
Cost of products and services sold

In 2001, the cost of products and services sold was \$370 million compared to \$365 million in 2000 due to the higher sales volumes. The incremental cost of the 3% volume increase was partially offset by reduced unit cash costs which were about 2% lower than in 2000. Costs benefited from reduced royalty charges and the influence of a full year of commercial production at McArthur River. In 2001, the cost of products and services sold was also influenced by higher care and maintenance costs at Rabbit Lake due to the shutdown of the mill during the last half of the year. In both 2001 and 2000, a significant amount of Cameco's uranium concentrate deliveries were fulfilled with acquired material. The average cost of acquired material also influences costs.

Depreciation, depletion and reclamation

Depreciation, depletion and reclamation (DD&R) charges totaled \$100 million for 2001, an increase of \$14 million or 16% over the previous year. The increase was due to a higher volume sold and an increased DD&R cost per unit. With the November 2000 commencement of

Far East
Europe
North America



NUCLEAR REVENUE (by market region)

North America remains Cameco's largest market for nuclear products and services.

commercial production at McArthur River, DD&R has been included in the inventoried cost of production. Since the majority of Cameco's uranium production in 2001 came from McArthur River, the average DD&R unit cost trended upward.

Gross profit

In 2001, gross profit from the nuclear business amounted to \$116 million compared to \$129 million in 2000, a decline of \$13 million. This decrease was attributable to lower realized prices for the nuclear products. The gross profit margin for the nuclear business fell to 20% from 22%.

Uranium exploration

In 2001, uranium exploration expenditures were \$10 million, down \$2 million compared to 2000. Exploration efforts continue to be focused on prospects in Canada and Australia which are considered to have the best potential for economically attractive discoveries.

Uranium production

The following schedule summarizes the 2001 milling statistics for Cameco's uranium production centres. At 18.8 million pounds U_3O_8 , Cameco's share of production rose 13% in 2001.

NUCLEAR BUSINESS HIGHLIGHTS

	2001	2000	% change
Revenue (\$ millions)	586	580	1
Gross profit (\$ millions)	116	129	(10)
Gross profit (%)	20%	22%	(9)
EBT (\$ millions) *	116	117	(1)

* Earnings before tax

URANIUM OPERATING HIGHLIGHTS

	Key Lake ¹		Rabbit Lake		Highland		Crow Butte	
	2001	2000	2001	2000	2001	2000	2001	2000
Tonnes milled	197,717	186,514	139,288	216,170	n/a	n/a	n/a	n/a
Production (million lbs U ₃ O ₈)	18.0	10.8	4.6	7.3	0.8	0.9	0.7	0.8
Cameco's share	12.6	7.7	4.6	7.3	0.8	0.9	0.7	0.8
Recovery (%)	98.3	96.5	97.2	97.1	n/a	n/a	n/a	n/a
Average mill head grade (% U ₃ O ₈)	4.31	2.79	1.35	1.57	n/a	n/a	n/a	n/a

¹ McArthur River ore is milled at Key Lake. Some stockpiled Key Lake ore is used to dilute the McArthur River Ore.

Writedown of mineral properties

In 2000, a review of the company's carrying values of its nuclear assets determined that a writedown of its ISL uranium assets in the US was warranted. The impact on earnings amounted to \$121 million, net of a \$7 million tax recovery. The amount of the writedown was determined on the basis of estimated future net cash flows calculated using forward price projections which averaged those of third-party industry experts and Cameco's internal estimates.

The writedown represented all of the value associated with the company's ISL uranium producing assets at Highland (Wyoming) and Crow Butte (Nebraska) as well as a portion of some ISL properties designated for future development.

Provision for waste disposal

In 1988, Cameco assumed the ownership and primary responsibility for low level radioactive waste management at four locations in Ontario. In 2000, the government of Canada and the three communities involved signed an agreement for the cleanup, storage and long-term management of historical wastes, including this waste.

Accordingly, the company established a one-time provision for this liability of \$20 million and included this amount in the total reclamation provision for 2000. The provision represents Cameco's remaining liability for these wastes accumulated by one of Cameco's predecessor companies, Canada Eldor Inc., a federal crown

corporation. A cost sharing agreement stipulates that all additional costs related to this material will be the responsibility of the federal government.

Gold Business

Cameco's gold business consists primarily of its mining operations. Cameco through Kumtor Gold Company (KGC) and another subsidiary, owns a one-third interest in and operates the Kumtor gold mine in Kyrgyzstan, Central Asia. Through Kyrgyzalyn, the Republic of Kyrgyzstan owns the remaining two-thirds. Cameco also has exploration activities mainly in North America and Central Asia.

Revenue

In 2001, revenue from the gold business totaled \$115 million (Cdn), an increase of \$6 million or 6% from 2000, reflecting an 8% increase in sales from the Kumtor mine. The greater volume more than offset a

decline in the average realized Canadian dollar selling price which fell 3%. The realized US dollar price declined to \$292 (US) from \$314 (US) in 2000.

The average spot market price for gold during 2001 was \$271 (US) per ounce, down 3% from the average price of \$279 (US) for 2000. KGC's hedge position at December 31, 2001 was 1,056,000 ounces, one-third being Cameco's share. It is expected that these hedges, including the expected future influence of contango ¹, will yield an average price of approximately \$300 (US) to \$303 (US) per ounce. The mark-to-market gain on Cameco's share of the hedge position was \$6 million (US) at December 31, 2001 based on a spot market gold price of \$277 (US) per ounce.

Cost of products and services sold

In 2001, the cost of products and services sold was \$52 million, an increase of

GOLD BUSINESS HIGHLIGHTS

	2001	2000	% change
Revenue (\$ millions)	115	109	6
Gross profit (\$ millions)	34	29	17
Gross profit (%)	29%	26%	12
EBT (\$ millions) *	26	19	37
Sales volume			
(Cameco's share in thousand oz)	243	225	8
Selling price (\$US/oz)	292	314	(7)
Unit cash cost (\$US/oz)	142	153	7

* Earnings before tax

¹ Contango is the positive difference between the spot market gold price and the forward market gold price. It is normally expressed as a per-annum interest rate and is the difference between London Inter Bank Offer Rates (LIBOR) and the lease rate charged by institutions that lend gold.

GOLD OPERATING HIGHLIGHTS

Kumtor

	2001	2000	% change
Reserves proven and probable (000s tonnes)	31,222	28,971	8
Average grade (g/t)	3.85	4.26	(10)
Contained gold (000 oz)	3,864	3,968	(3)
Tonnes milled (000 tonnes)	5,470	5,482	—
Grade (g/t)	5.14	4.65	11
Mill recovery (%)	83.1	81.5	2
Production (000 oz)	752.7	670.0	12
Production (Cameco's share in 000 oz)	250.9	223.3	12
Cash cost (\$US/oz) *	\$ 142	\$ 153	7

* Using Gold Institute definition

\$3 million or 6% due to the higher volume. The added cost of the greater volume was partially offset by a lower unit cash cost. At Kumtor, the cash cost declined to \$142 (US) per ounce from \$153 (US) in 2000 mainly as a result of increased production. Gold production at Kumtor was 12% greater than in 2000 due mainly to higher-grade ore which averaged 5.14 grams per tonne compared to 4.65 grams, an increase of 11%. An improved recovery rate, which rose to 83.1% from 81.5%, also contributed to the increased production. The unit cash cost is calculated in accordance with the standards established by the Gold Institute.

Depreciation, depletion and reclamation

In 2001, depreciation, depletion and reclamation charges totaled \$29 million, representing a decline of \$2 million or 6% compared to 2000. This reduction was due to higher reserves and certain assets being fully depreciated. This resulted in a lower unit depreciation rate which fell to \$77 (US) per ounce from \$93 (US) in 2000.

Gross profit

Gross profit from the gold business was \$34 million in 2001, up \$5 million or 17% compared to 2000. The gross profit margin for gold was 29% compared to 26% in 2000. On a unit basis, the lower realized price was more than offset by reduced cash costs and the lower depreciation rate.

Gold exploration

In 2001, gold exploration expenditures decreased to \$8 million from \$9 million the previous year. In 2001, approximately 72% of total expenditures were incurred in North America.

Bruce Power

The operating highlights for the Bruce Power limited partnership (100%) for the period from May 12 to December 31, 2001 are as shown in the table.

Cameco's 15% investment in Bruce Power was effective as of May 12, 2001. From this date to the end of 2001, 15.5

terawatt-hours of power were generated reflecting a capacity factor of 87%. Cameco's share of earnings before taxes in 2001 was \$12 million.

Corporate Expenses

Administration

In 2001, administration costs of \$37 million decreased by \$1 million compared to the previous year.

Interest and Other

Net expenses rose by \$3 million compared to 2000 reflecting lower interest income and lower foreign exchange gains. Interest income from the subordinated loan to KGC was lower in 2001 due to a reduced principal balance and a lower interest rate. Cameco received loan principal repayments totaling \$21 million (US) during the year. In 2001, the rate of interest on the subordinated loan was 10.8% compared to 12.5% in 2000.

Income Taxes

The effective tax rate for 2001 declined to 39% from 49% in the previous year due to a greater proportion of pre-tax earnings being realized outside of Canada where they are subject to lower tax rates. Income tax expense of \$42 million for 2001 was \$9 million or 18% less than the \$51 million incurred in 2000 before special items.

However, the income tax expense for 2000 was significantly influenced by special items which gave rise to tax recoveries of \$16 million.

Income tax expense includes large corporations taxes which amounted to \$5 million in each of 2001 and 2000. See note 15 to the consolidated financial statements.

CASH AND LIQUIDITY

Cash Resources

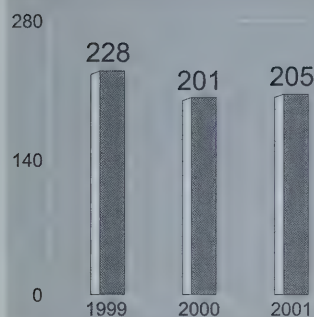
Operating Activities

In 2001, Cameco generated cash from operations of \$116 million (\$2.10 per

BRUCE POWER HIGHLIGHTS

Output (terawatt hours)	15.5
Capacity factor (%) ¹	87
(\$ millions)	
Revenue	\$ 599
Operating costs	468
Earnings before interest & taxes	131
Interest	41
Earnings (loss) before taxes	\$ 90
Cameco's 15% interest	\$ 13
Less: Cameco's proprietary adjustments	1
Cameco's share of earnings before taxes	\$ 12

¹ A generating plant's capacity factor for a given period represents the amount of electricity actually generated for sale expressed as a percentage of the amount of electricity the plant is capable of producing for sale.



CASH FLOW FROM OPERATIONS

- before changes in other operating items
(\$ millions)

Cameco's adjusted cash flow improved slightly in 2001 despite continued low prices for uranium and gold.

share) compared to \$224 million (\$4.04 per share) in 2000. This decrease of \$108 million reflects higher year-end accounts receivable which rose by \$116 million compared to the previous year. In 2001, deliveries in the nuclear business were heavily skewed to the fourth quarter when 50% of the year's revenues were recorded.

Excluding the changes in other operating items, cash provided by operations was \$205 million (\$3.70 per share) compared to \$201 million (\$3.62 per share) in 2000. This improvement was attributable to higher cash margins earned on products sold; revenues increased by \$12 million while the cost of products and services sold (excluding DD & R) rose by \$8 million.

Investing Activities

Cash used in investing activities was \$131 million in 2001 compared to \$85 million the previous year. This increase was due primarily to the investment in Bruce Power which totaled \$88 million at December 31, 2001, including outstanding amounts for fabricated fuel. Expenditures for property, plant and equipment were \$37 million lower than in 2000 when development at McArthur River was completed. During the year, Cameco received \$21 million (US) in repayment of principal on the subordinated loan to KGC compared to \$11 million (US) in 2000. The outstanding balance on this loan was \$76 million (US) at the end of 2001.

Financing Activities

In 2001, financing activities provided \$15 million. During the year, cash provided by operating activities was supplemented by net borrowing of \$54 million to finance Cameco's investing activities.

Liquidity and Capital Resources

Overview

Financial liquidity represents the company's ability to fund future operating activities and investments. Some important measures of liquidity are summarized in the table below.

Indicators Defined

Cash provided by operations reflects the net cash flow generated by operating activities after consideration for changes in working capital.

Cash provided by operations to net debt indicates the company's ability to meet debt obligations from internally generated funds.

Net debt to total capitalization measures the company's use of financial leverage. A lower percentage means less reliance upon

LIQUIDITY INDICATORS

	2001	2000	1999	1998	1997
Cash provided by operations (\$ millions)	116 ¹	224	249	237	162
Cash provided by operations/net debt ² (%)	36 ¹	86	80	42	92
Net debt ² /total capitalization (%)	15	13	14	23	9

¹ Unusually low due to large amounts of deliveries late in the fourth quarter for which payment was received in early 2002.

² Total debt less cash and cash equivalents.

QUARTERLY FINANCIALS RESULTS

	2001					2000				
(\$ millions, except per share amounts)	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenue	70	139	170	322	701	142	163	138	246	689
Net earnings before special items *	1	12	15	28	56	9	11	10	15	45
-per share	0.01	0.23	0.27	0.50	1.01	0.17	0.19	0.18	0.27	0.81
Net earnings (loss) *	1	12	15	28	56	9	11	(111)	4	(87)
-per share	0.01	0.23	0.27	0.50	1.01	0.17	0.19	(2.01)	0.08	(1.57)
Cash from operations	28	11	14	63	116	50	63	25	87	224
-per share	0.50	0.22	0.25	1.13	2.10	0.88	1.11	0.44	1.61	4.04
Cash dividends	0.125	0.125	0.125	0.125	0.50	0.125	0.125	0.125	0.125	0.50

* Attributable to common shares

KUMTOR CAPITAL STRUCTURE

(\$US millions)

Debt

	Initial Funding	Balance at Dec. 31, 2001
Third party		
Senior *	\$ 265	\$ 92
Subordinated	20	20
Total third party	285	112
Cameco subordinated	107	76
Total debt	392	188
Equity	45	45
Total Capital	\$ 437	\$ 233

* Cameco has guaranteed the payment of all principal and interest that become due on the senior debt.

debt as a source of financing. Although debt is a lower cost form of financing compared to equity, a lower percentage of debt also represents less exposure to fixed payment obligations.

Credit Ratings

The company has the following ratings from third-party rating agencies:

▪ Standard & Poor's

Currently rated "A-" with a stable outlook

▪ Moody's

Currently rated "A3" with a negative outlook

Outlook changed to "negative" in March, 2001

• DBRS

Currently rated "A (low)" with a stable outlook

Downgraded from "A" to "A (low)" in June 2001

In 2001, Moody's and DBRS noted that the uranium market may take a few years to recover and adjusted their ratings accordingly.

Debt

Cameco has access to approximately \$694 million in unsecured lines of credit.

Primary liquidity is provided by a \$400 million revolving credit facility that matures early in 2003. The company may borrow directly from investors by

issuing commercial paper up to a limit of \$400 million. To the extent necessary, Cameco uses the revolver to support its commercial paper program.

Cameco also has agreements with various financial institutions to provide up to \$294 million in short-term borrowing and letter of credit facilities. These arrangements are predominantly used to fulfill the regulatory requirements to provide financial assurance for future reclamation of the company's operating sites. See note six to the consolidated financial statements.

Cameco operates within the investment grade segment (high credit quality) of the market when obtaining credit. The cost, terms and conditions under which financing is available vary over time. While access to credit cannot be assured, it was readily available during 2001.

In 2001, Cameco issued \$50 million in debentures bearing interest at 7.0% per annum and maturing on July 6, 2006. Proceeds were used to repay other indebtedness.

Equity

The other major source of funding for future requirements is the equity market. Access to capital markets in the future will be dependent upon the prevailing conditions of the equity market and upon the extent to which investors support the company's business plan. Cameco last raised common equity in 1997.

Kumtor Gold Company

To finance the Kumtor gold project, a consortium of financial institutions advanced \$285 million (US) in senior and subordinated loans to the project in 1996. During 2001, KGC repaid \$49 million (US) of these third party loans. After these repayments, the outstanding balances were \$92 million (US) in senior debt and \$20 million (US) in subordinated debt. Since Cameco proportionately consolidates its interest in KGC, \$37 million (US) (\$60 million (Cdn)) of the remaining loans were included in Cameco's long-term debt. See note six to the consolidated financial statements.

In addition, Cameco provided a subordinated loan of \$107 million (US) to the project. The outstanding principal and accrued interest at the end of 2001 amounted to \$76 million (US) and \$0.5 million (US) respectively. This compares to \$97 million (US) in outstanding advances and \$1 million (US) in accrued interest at year-end 2000. In 1996, Cameco invested \$45 million (US) as an equity contribution.

While the Kumtor credit facilities are an obligation of KGC, Cameco has agreed to guarantee the payment of all principal and interest amounts that become due on the senior debt. This guarantee does not apply in the case of certain defined events of political force majeure, which are covered by political risk insurance purchased on behalf of some lenders and self-insured by others. See note 18 to the consolidated financial statements. Under current production plans, the guarantee is not expected to be called upon, so long as the remaining unhedged production is sold at prices of at least \$150 (US) per ounce.

As part of the Kumtor financing arrangements, KGC must maintain a debt reserve bank account as described in note five to the consolidated financial statements.

Debt Covenants

Cameco is bound by certain financial covenants in its credit facilities and in those of Kumtor. These covenants place

restrictions on total debt, including guarantees, and set minimum levels for net worth. As of December 31, 2001, Cameco met these covenants and does not expect its operating and investment activities in 2002 to be constrained by them.

BUSINESS RISKS

Risks and Uncertainties

Financial Risk

Cameco's financial condition is influenced by operational performance and by a number of market risks, the most significant of which are fluctuations in uranium, gold and electricity prices and changes in sales volumes and foreign exchange rates. Risk management

strategies are being employed to assist in identifying and mitigating risks.

Uranium Prices

The company reduces its exposure to volatility in uranium prices by maintaining a long-term contract portfolio which is diversified by price mechanism, delivery date and customer. For 2002, the company's sensitivity to changes in the uranium spot price is noted in the outlook section.

Limited Number of Customers

The company relies on a small number of customers to purchase a significant portion of its uranium concentrates and conversion services. For example, Cameco's five largest customers are anticipated to account for 37% of the company's contracted supply of U_3O_8 for 2002 through 2004. This

compares to 35% of the contracted supply of U_3O_8 for 2001 through 2003. The loss of any of these large customers, or any significant curtailment of purchases by them, could have a material adverse effect on the company's financial performance.

Use of Derivatives

Cameco uses financial derivatives to mitigate operating and market risks. A derivative is entered into as a hedge against specific economic and transactional exposures. Cameco does not enter into derivative contracts for speculative purposes. However, derivatives bring with them their own exposure to counterparty default.¹ As of December 31, 2001, Cameco's exposure is predominantly with parties that had credit ratings of AA- or higher. Accordingly, Cameco believes the risks of default are low and the benefits

CONTRACTUAL CASH OBLIGATIONS

(\$ Cdn millions)

Long-term debt

Unconditional product purchase obligations *

Total contractual cash obligations

Total	Less than 1 year	1-3 years	4-5 years	After 5 years
\$ 354	\$ 26	\$ 168	\$ 157	\$ 3
1,389	105	256	204	822
\$1,743	\$ 131	\$ 426	\$ 361	\$ 825

* Denominated in US dollars. Converted to Canadian dollars at the year-end rate of 1.5926.

COMMERCIAL COMMITMENTS

(\$ Cdn millions)

Standby letters of credit ¹

Guarantees

KGC senior debt *

KGC hedge program *

Bruce Power investment ²

Bruce Power guarantees ³

Total commercial commitments

Total amounts committed	Less than 1 year	1-3 years	4-5 years	After 5 years
\$ 147	\$ 142	\$ 5	—	—
99	53	46	—	—
844	76	8	—	—
40	—	—	—	\$ 40
102	—	—	—	102
\$ 472	\$ 271	\$ 59	—	\$ 142

* Denominated in US dollars. Converted to Canadian dollars at the year-end rate of 1.5926.

¹ The standby letters of credit maturing in 2002 were issued with a one-year term and will be automatically renewed on a year-by-year basis until the underlying obligations are resolved. These obligations are primarily the decommissioning and reclamation of Cameco's mining and conversion facilities. As such, the letters of credit are expected to remain outstanding well into the future.

² Cameco has agreed to invest up to \$100 million in Bruce Power. To the end of 2001, Cameco had invested \$60 million in the partnership.

³ Cameco has agreed to guarantee up to \$102 million in respect of contingent obligations of Bruce Power. See note 19 to the consolidated financial statements.

⁴ See discussion on the following page under gold prices in the section titled risks and uncertainties.

¹ Default by the counterparty means that the other party in a derivative contract is unable to perform its obligations at the time of contract maturity, resulting in the intended hedge being of no value. This concern is addressed by dealing only with counterparties of high credit quality and limiting the amount and duration of the exposure. A measure of default risk is the mark-to-market value of a hedge position. This value is the difference between the price a derivative contract was entered into and its current market value. A positive number, such as mentioned on the following page for gold hedges, indicates that the company has that amount of value at risk should its counterparties default. A negative number, such as mentioned below for foreign exchange, represents the amount of value Cameco would have to pay should the hedge position need to be settled immediately.

derived from using derivatives outweigh the associated risks.

Gold Prices

KGC hedges the price risk for future gold sales. Since the start of production at Kumtor in 1997, gold hedging has generated \$118 million (US) in higher revenues for KGC compared with the revenues based upon spot market prices at time of sale. At the end of 2001, KGC had in place forward sales and option agreements on 1,056,000 ounces.

Cameco has agreed to provide approximately \$100 million (US) of credit support to KGC's counterparties, to mitigate the potential of default by KGC.

At year-end 2001, Cameco had a maximum financial exposure under these arrangements of \$48 million (US) for contracts maturing in 2002 and \$5 million (US) for contracts maturing in 2003. Cameco's credit support begins when the average spot price exceeds about \$293 (US) per ounce.

Cameco's one-third share of Kumtor's hedging agreements was 352,000 ounces consisting of 294,000 ounces in forward contracts, 58,000 in put options and 58,000 in call options. The average prices were \$296 (US) per ounce for the forward contracts and \$277 (US) per ounce for the put options. Exercise of the put options is at the company's discretion. Exercise of the call options, which had an average price of \$295 (US), is at the counterparty's discretion. The mark-to-market gain on Cameco's share of these hedge positions was \$6 million (US) at December 31, 2001 based on a spot market gold price of \$277 (US) per ounce. See note 24 to the consolidated financial statements.

Foreign Exchange Risk

Most of the company's revenues are in US dollars. At December 31, 2001, Cameco had sold forward \$592 million (US) at an average effective exchange rate of approximately \$1.5637 per US dollar. The mark-to-market loss on these foreign exchange positions was

\$17 million (Cdn), based on a spot market foreign exchange rate of \$1.5926 US/Cdn as at December 31, 2001. Due to existing hedges, the sensitivity of the company's earnings and cash flows in 2002 to changes in the Canada/US exchange rate is not material.

Political Risk

The Kumtor gold mine is located in the Kyrgyz Republic, a country formerly part of the Soviet Union. The mine is the largest foreign investment project in the country and represented approximately 10% of the country's gross domestic product and 36% of its exports in 1999. The importance of Kumtor in relation to the rest of the Kyrgyz economy has meant that Kumtor has maintained a very high profile within the country. This level of attention is not without risk; however it has been of significant benefit in ensuring continued efficient operations.

Cameco's investment in Kumtor may be exposed to adverse political developments that could affect the economics of the project.

Cameco also owns a 60% interest in Joint Venture Inkai (JVI) which is developing a uranium mine in the Republic of Kazakhstan. Through KazAtomProm, the Republic of Kazakhstan owns the remaining 40%. Cameco has agreed to provide funding of up to \$40 million (US) to JVI for project development. A test mine is expected to be completed in 2002. To date, the Kazakhstan government has supported the project; but there is no assurance that such support will continue for the project's duration.

The company has made an assessment of the political risk associated with each of its foreign investments and has purchased political risk insurance to mitigate losses as deemed appropriate.

Insurance

Cameco has maintained an excellent insurance record with few claims. Obtaining the desired types and limits of coverage has not been a problem in the past. However, over the past couple of

years, insurance markets have experienced significant loss. Some capacity for the types of insurance sought by Cameco has been withdrawn from the market and the company expects significant increases in the cost of purchasing insurance during the next few years.

Operations Risk

At McArthur River, the mine's design capacity of 1.5 million pounds U₃O₈ per month was achieved over most of 2001. Based on experience, there is confidence that the mining method works effectively and that the operating risks are acceptable. However, with the high ore grade, the critical need to control ground water, and the innovative applications of technology employed, some measure of operating risk will continue throughout the life of the mine.

At Cigar Lake, technical challenges also exist regarding ground water control, rock stability and radiation protection. Failure to resolve these issues or significant delays in obtaining permits and licences could have an adverse effect on Cameco's future results.

Environmental Risk

Cameco is subject not only to the normal worker health, safety and environmental risks associated with all mining and chemical processing, but also to additional risks uniquely associated with uranium mining, milling and conversion.

In 2001, Cameco embarked upon the design of a quality management system and continued its program to implement an environmental management system at all its Canadian production sites and its Kumtor gold operation. At the end of 2001, the company was seeking an ISO 14001 certification at its Blind River refining facility and this was subsequently achieved in February 2002. The Port Hope conversion facility received this certification in 2000.

In addition, Cameco introduced a new health and safety management system to all its sites in 2001. During the year, Cameco employees achieved an accident frequency

safety record of 0.25 lost time accidents per 200,000 person hours worked. This accident frequency was somewhat higher than the 0.18 frequency recorded in 2000. The company's long-term contractors recorded an accident frequency of zero lost time accidents. Consequently, on a combined basis, Cameco, its subsidiaries and long-term contractors achieved their best-ever overall safety record with an accident frequency of 0.22 lost time accidents per 200,000 person hours worked.

The approval for Cameco's operations to start, continue and decommission are subject to numerous laws and regulations regarding safety and environmental matters and the management of hazardous wastes and materials. In 2001, the Canadian Nuclear Safety Commission (CNSC) either renewed the operating licences for multi-year periods or were well into the process of renewal for all of Cameco's Canadian operations. As well, Cameco was granted a CNSC licence to become the operator of the Cigar Lake project.

Reclamation

Over the long term, the company must plan for the closure, reclamation and decommissioning of its operating sites. Cameco expects that decommissioning and reclamation costs may increase over time due to more stringent regulatory requirements. Cameco estimates its total future decommissioning and reclamation costs for its operating assets to be \$236 million. The majority of such expenditures are typically incurred at the end of the useful lives of the operations to which they relate and, therefore, only a very small percentage of the total estimated costs is expected to be incurred over the next five years. See note seven to the consolidated financial statements.

At the end of 2001, Cameco's accounting provision for future reclamation costs totaled \$140 million. To provide financial assurances for these costs, Cameco has provided letters of credit (LOCs), where required. Cameco's LOCs totaled \$147 million at the end of 2001, of which \$138 million is related to reclamation and decommissioning activities. Under the new

Canadian Nuclear Control Act, additional LOCs of up to \$50 million related to the Ontario operations will be required for the first time in February, 2002. The company will also complete regulatory-required reviews of conceptual decommissioning plans for all Canadian sites in 2002. These periodic reviews are tied into the license renewal process previously described. Reclamation obligations represent unfunded liabilities of the company.

Electricity Business Risks

Through its interest in the Bruce Power Partnership, Cameco is exposed to various business risks associated with the generation and marketing of electricity. There are three main types of risk. The most significant includes risks directly related to the operating performance of its power generating assets. Bruce Power manages this risk through its focus on preventing unplanned loss of output, adopting simple operational processes and improving human performance at all levels in the organization.

The second type of risk is electricity price. In December 2001, the Ontario government re-affirmed that the province's electricity market will be opened to competition on May 1, 2002. Bruce Power has mitigated this risk by signing long-term electricity supply contracts with reliable customers for the delivery of a substantial portion of its annual generation at competitive prices. These contracts will come into effect at the time of market opening. Electricity generated, but not covered by such contracts, will be sold on the spot market and be subject to prices in effect at the time of delivery.

Prior to market opening, all of Bruce Power generation will continue to be sold to Ontario Power Generation, a successor company to Ontario Hydro.

The third type of risk relates to the transmission grid. The ability of Bruce Power to deliver electricity to its customers is dependent on the provincial transmission grid which is owned and maintained by Hydro One, a transmission company owned by the province of Ontario. Any adverse conditions such as severe weather or inadequate maintenance that results in unreliable performance by the grid could cause significant financial loss to Bruce Power. Transmission grid risks are beyond Bruce Power's control.

THE FUTURE

Outlook for 2002

Uranium Production (Cameco's Share)

At McArthur River, production of 13 million pounds U_3O_8 is planned for 2002. The ore from McArthur River will be blended for processing with low-grade ore in stockpile at Key Lake. At Rabbit Lake, mining of the Eagle Point deposit will resume during the spring of 2002 with milling commencing in the third quarter. Eagle Point has about 18 million pounds U_3O_8 of reserves.

In the US, Highland's production volume will decline in accordance with a mining plan announced in November 1998. At the Inkai development project in Kazakhstan, nominal production is

URANIUM PRODUCTION OUTLOOK

Cameco's Share (000s lbs U_3O_8)

	2002 Plan	2001 Actual
McArthur River	13,000	12,048
Key Lake	300	648
Rabbit Lake	3,000	4,563
Crow Butte	800	815
Highland	400	695
Total	17,500	18,769

planned for the test mine scheduled to begin operation in early 2002.

At Port Hope, conversion volume is expected to increase marginally from 11,000 tonnes in 2001.

Uranium Market

After a year in which the uranium spot price increased over 30%, some industry analysts are predicting an increase during 2002, but at a more modest rate. For U₃O₈ conversion service prices, which also saw a strong increase in 2001, analysts do not foresee significant downside risk to current price levels and anticipate modestly higher prices during 2002.

Long-term market demand for uranium in 2002 is expected to be similar to that reported for 2001 (see Risks and Uncertainties above).

Nuclear Revenue and Margins

Cameco's nuclear revenue in 2002 is expected to rise nominally over the 2001 level. Nuclear sales volumes are expected to be slightly higher. Although market prices rose significantly during 2001, the average prices realized are expected to be relatively unchanged in 2002. About 60% of Cameco's long-term contracts contain pricing which references the spot price at the time of delivery. Nuclear margins are expected to be similar to 2001.

For 2002 deliveries, a \$1.00 (US) change in the U₃O₈ spot price from current levels would change revenue by about \$20 million (Cdn), net earnings by about \$9 million (Cdn) and cash flow by about \$14 million (Cdn).

Gold Business

The 2002 Kumtor budget anticipates production of 660,000 ounces (Cameco's share is one-third). This 12% decline from 2001 is largely due to an 8% drop in average ore grade to 4.67 grams per tonne. The unit cash cost is expected to increase about 9% to \$155 (US) per ounce due to the lower production volume. The average realized gold price (including related hedge positions at the end of 2001) is expected to decline marginally to \$288 (US) per ounce.

Bruce Power

Maintenance work on one reactor within the Bruce B plant, which began near the end of the third quarter of 2001, continued into February 2002, when it returned to service. During 2002, there are outages planned for two other units as well. This maintenance program is expected to lead to a slightly lower capacity factor in 2002 than in 2001. Over the longer term, Bruce Power's goal is to achieve a capacity factor of over 90%.

The restart program for the two Bruce A units will continue during the year in order to bring them back online by the summer of 2003. Of the \$340 million project estimate, approximately \$65 million has been spent to date and most of the remainder will be incurred in 2002. An important milestone in the restart program will be the approval of an environmental assessment study by the Canadian Nuclear Safety Commission (CNSC), anticipated in 2002.

The investment in Bruce Power is expected to contribute significantly to Cameco's earnings and cash flows beginning in 2003.

Capital Expenditures

In 2002, capital expenditures are projected to be about \$60 million, approximately one-half of which is to maintain existing capacity at all operations.

Cameco's share of development expenditures at Cigar Lake is estimated at \$13 million. In 2002, a construction license application is expected to be submitted to the CNSC and approval is expected to take about one year. The 2002 work program will focus on preparatory work, including building a freeze plant and some underground drilling, ahead of the construction phase anticipated in 2003. Once regulatory approval is granted and a final production decision is taken, construction would be expected to take about 27 months and could lead to a production startup in 2005.

At the Inkai in situ leach project in Kazakhstan, Cameco's share of work at the test mine is expected to cost about \$4 million.

Bruce Power's internal cash flow is expected to be sufficient to fund the majority of its 2002 capital programs including the program to restart two of the Bruce A units.

First Quarter 2002

Revenue in the nuclear business is expected to be stronger generating nearly 20% of the year's revenue compared to less than 10% in the same quarter in 2001. Improved sales volumes and prices are anticipated. In the gold business, revenue is expected to be similar to the first quarter of 2001.

Liquidity

Capital expenditures and operating requirements for 2002 are expected to be funded with internally generated cash flow. Timing variations in receipts and disbursements will be funded on an interim basis with short-term borrowing. There are no requirements foreseen at this time that cannot be met from either internal cash flow or short-term debt.

SUPPLEMENTARY INFORMATION

Saskatchewan Royalty Regime Revised

In December 2001, the Saskatchewan royalty regime was revised, effective January 1, 2001, to include both a basic and a tiered royalty. Under the new regime, the basic royalty is unchanged; it is equal to 5% of gross sales of uranium and is reduced by the Saskatchewan resource credit equal to 1% of the gross sales of uranium.

The tiered royalty is an additional levy on the gross sales of uranium which applies only when the sales price exceeds prescribed levels adjusted for inflation. Uranium sales subject to the tiered royalty are first reduced by capital allowances for new mine or mill construction and certain mill expansions. When these capital

allowances are reduced to zero, tiered royalties become payable.

Under the new regime, the total uranium royalty payable, assuming various uranium sales prices and all capital allowances are reduced to zero, is shown in the table to the right.

Under the new regime, the marginal rates range from 4% to 19%, whereas under the previous regime the range was from 4% to 50%.

Cameco did not pay tiered royalties in 2001. In 2002, only the basic royalty is expected to be paid due to available capital allowances. The company believes it will benefit from the new regime as uranium prices rise in the coming years.

Critical Accounting Policies

Cameco prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. Management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion on property, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are

subject to judgment and significant change over time. If actual reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation and depletion charged to earnings.

Significant decommissioning activities are often not undertaken until substantial completion of the useful lives of productive assets. Future decommissioning and reclamation costs are estimated and accrued using the unit of production method so that the estimated future liability will be fully provided when decommissioning and reclamation activities are undertaken. Regulatory requirements and alternatives with respect to decommissioning and reclamation activities are subject to change over time. The amount of reclamation charged to earnings is also dependent upon estimated recoverable reserves. A significant change to either the estimated costs or recoverable reserves may result in a material change in the amount of reclamation charged to earnings.

If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are written off against current earnings. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

Cameco uses derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. As long as these instruments are effective, they have the effect of offsetting future changes in these underlying rates and prices. Future earnings may be adversely impacted should these instruments become ineffective over time.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

The statements in this management's discussion and analysis which relate to the future are forward-looking statements and are subject to a number of risks and uncertainties. The company's results in the future may differ materially from those which are expressed or implied by these forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: volatility and sensitivity to market prices for uranium, electricity in Ontario and gold; the impact of the sales volume of uranium, conversion services, electricity generated and gold; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental and safety risks including increased regulatory burdens; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including trade laws and policies; demand for nuclear power; replacement of production and failure to obtain necessary permits and approvals from government authorities; legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the electric utility industry in Ontario; Ontario electricity rate regulations; weather and other natural phenomena; ability to maintain and further improve positive labour relations; operating performance of the facilities; success of planned development projects; and other development and operating risks.

REVISED SASKATCHEWAN ROYALTY REGIME

Uranium Sales Price	Net Basic Royalty	Tiered Royalty	Total Royalty	Total Royalty	Marginal Rate
	\$ Can/lb U ₃ O ₈			% of sales price	%
15	.60	.04	.64	4.3	10
20	.80	.34	1.14	5.7	10
25	1.00	.78	1.78	7.1	14
30	1.20	1.35	2.55	8.5	19
35	1.40	2.10	3.50	10.0	19

STRENGTH

Reserves

Cameco's future is secured by more than 500 million pounds of proven and probable uranium reserves.

The following tables summarize Cameco's reserves and resources. The terms used to describe the classes of mineralization are defined on page 65.

URANIUM RESERVES

As of December 31, 2001	Tonnes	Grade	Total	Cameco's Share	Mining Method ¹
	thousands	% U ₃ O ₈	million lbs U ₃ O ₈	million lbs U ₃ O ₈	
Reserves					
Proven					
Cigar Lake	497.0	20.67	226.3	113.2	UG
Crow Butte	-	-	4.2	4.2	ISL
Gas Hills	-	-	10.6	10.6	ISL
Highland	-	-	5.1	5.1	ISL
Key Lake	81.0	0.53	0.9	0.8	OP
McArthur River	898.3	23.32	461.7	322.3	UG
North Butte/Brown	-	-	8.4	8.4	ISL
Peach	-	-	3.6	3.6	ISL
Rabbit Lake	711.0	1.21	18.9	18.9	UG
Ruby Ranch	-	-	3.1	3.1	ISL
Total Proven Reserves			742.8	490.2²	
Probable					
Cigar Lake	54.0	4.41	5.2	2.6	UG
Crow Butte	-	-	3.0	3.0	ISL
Gas Hills	-	-	7.6	7.6	ISL
Highland	-	-	0.9	0.9	ISL
McArthur River	36.0	15.24	12.1	8.4	UG
North Butte/Brown	-	-	4.3	4.3	ISL
Peach	-	-	1.0	1.0	ISL
Ruby Ranch	-	-	1.7	1.7	ISL
Total Probable Reserves			35.8	29.5	
Total Proven & Probable Reserves			778.6	519.7	

¹ Mining Method: OP-open pit, UG-underground, ISL-in situ leaching.

² Approximately 1,626,000 pounds of U₃O₈ with an average grade of 0.66% U₃O₈ are contained in broken ore stockpiled on surface at the Key Lake, McArthur River and Rabbit Lake sites.

URANIUM RESOURCES

As of December 31, 2001

	Tonnes	Grade	Total	Cameco's Share	Mining Method ¹
	thousands	% U ₃ O ₈	million lbs U ₃ O ₈	million lbs U ₃ O ₈	
Resources					
Measured					
Inkai	—	—	13.7	8.2	ISL
McArthur River	13.5	5.36	1.6	1.1	UG
Total Measured Resources			15.3	9.3	
Indicated					
Crow Butte	—	—	8.5	8.5	ISL
Dawn Lake	347.0	1.69	12.9	7.4	OP+UG
Gas Hills	—	—	2.1	2.1	ISL
Highland	—	—	2.9	2.9	ISL
Inkai	—	—	81.4	48.9	ISL
McArthur River	519.5	9.59	109.9	76.7	UG
North Butte/Brown	—	—	6.0	6.0	ISL
Rabbit Lake	103.0	0.88	2.0	2.0	UG
Total Indicated Resources			225.7	154.5	
Total Measured & Indicated Resources			241.0	163.8	
Inferred					
Cigar Lake	317.0	16.92	118.2	59.1	UG
Crow Butte	—	—	7.6	7.6	ISL
Gas Hills	—	—	19.8	19.8	ISL
Highland	—	—	2.5	2.5	ISL
Inkai	—	—	284.2	170.5	ISL
North Butte/Brown	—	—	6.1	6.1	ISL
Peach	—	—	4.0	4.0	ISL
Taylor Ranch	—	—	10.0	5.0	ISL
Total Inferred Resources			452.4	274.6	

GOLD RESERVES & RESOURCES

As of December 31, 2001

	Tonnes	Grade	Total	Cameco's Share	Mining Method ¹
	thousands	g/t Au	thousand oz Au	thousand oz Au	
Reserves					
Proven: Kumtor	25,974	3.98	3,324	1,108 ²	OP
Probable: Kumtor	5,248	3.20	540	180	OP
Total Proven & Probable Reserves	31,222	3.85	3,864	1,288	
Resources					
Inferred: Kumtor	18,077	3.84	2,229	743	
Total Inferred Resources	18,077	3.84	2,229	743	

¹ Mining Method: OP-open pit, UG-underground, ISL-in situ leaching.² Approximately 65,000 ounces of gold with an average grade of 3.37 g/t (0.10 oz/T) are contained in broken ore stockpiled on surface at the Kumtor minesite.

STRENGTH

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Report of Management's Accountability

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the annual report and reflect the corporation's business transactions and financial position.

The integrity and reliability of Cameco's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Internal accounting controls are monitored by the internal auditor. Cameco's code of ethics, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the corporation's affairs.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The board of directors annually appoints an audit committee comprised of directors who are not employees of the corporation. This committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the audit committee. Following its review of the financial statements and the report of the shareholders' auditors, the audit committee submits its report to the board of directors for formal approval of the financial statements.

Original signed by David M. Petroff

Senior Vice-President, Finance and Administration
and Chief Financial Officer

January 30, 2002

Auditors' Report

To the Shareholders of Cameco Corporation

We have audited the consolidated balance sheets of Cameco Corporation as at December 31, 2001 and 2000 and the consolidated statements of earnings (loss), retained earnings and cash flows for each of the years in the three year period ended December 31, 2001. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

Original signed by KPMG_{LLP}

Chartered Accountants
Saskatoon, Canada

January 30, 2002

CONSOLIDATED BALANCE SHEETS

As at December 31

	2001	2000
	(Thousands)	
Assets		
Current assets		
Cash	\$ 33,737	\$ 33,131
Accounts receivable	255,963	139,858
Inventories [note 3]	354,384	347,141
Supplies and prepaid expenses	44,574	44,550
Current portion of long-term receivables, investments and other [note 5]	30,304	4,995
	718,962	569,675
Property, plant and equipment [note 4]	1,994,424	2,044,820
Long-term receivables, investments and other [note 5]	233,961	168,460
Inventories [note 3]	—	17,584
Total assets	\$2,947,347	\$2,800,539
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 108,096	\$ 101,874
Dividends payable	6,959	6,868
Current portion of long-term debt [note 6]	26,189	24,670
Current portion of other liabilities [note 8]	4,182	3,865
Future income taxes [note 15]	21,311	22,632
	166,737	159,909
Long-term debt [note 6]	327,773	269,677
Provision for reclamation [note 7]	139,583	131,966
Other liabilities [note 8]	9,787	13,134
Future income taxes [note 15]	480,520	445,324
	1,124,400	1,020,010
Shareholders' equity		
Preferred securities [note 9]	195,229	183,520
Share capital [note 10]	670,031	665,651
Contributed surplus	472,488	472,488
Retained earnings	465,420	437,328
Cumulative translation account [note 11]	19,779	21,542
	1,822,947	1,780,529
Total liabilities and shareholders' equity	\$2,947,347	\$2,800,539

Commitments and contingencies [notes 6, 7, 18, 19, 23, 24]

See accompanying notes to consolidated financial statements.

Approved by the board of directors

Original signed by Bernard M. Michel and Nancy E. Hopkins

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the year ended December 31

	2001	2000	1999
		(Thousands)	
Revenue from			
Products and services	\$ 700,839	\$ 688,940	\$ 741,592
Expenses			
Products and services sold	422,067	413,880	428,904
Depreciation, depletion and reclamation	129,387	117,005	136,863
Administration	36,644	38,232	35,720
Exploration	18,203	20,804	22,633
Research and development	2,097	2,452	2,331
Interest and other [note 12]	(2,366)	(5,657)	3,420
Writedown of mineral properties [note 4]		127,738	45,523
Provision for waste disposal [note 13]	—	20,218	—
Gain on sale of property interests [note 22]	—	—	(13,129)
	606,032	734,672	662,265
Earnings (loss) from operations	94,807	(45,732)	79,327
Earnings from Bruce Power	12,167	—	—
Other income (expenses) [note 14]	590	1,896	(2,028)
Earnings (loss) before income taxes	107,564	(43,836)	77,299
Income tax expense (recovery) [note 15]	42,343	34,501	(2,738)
Net earnings (loss)	65,221	(78,337)	80,037
Preferred securities charges, net of tax [note 9]	9,325	8,880	8,835
Net earnings (loss) attributable to common shares	\$ 55,896	(\$87,217)	\$ 71,202
Basic earnings (loss) per common share [note 25]	\$ 1.01	\$ (1.57)	\$ 1.24
Diluted earnings (loss) per common share [note 25]	\$ 1.01	\$ (1.57)	\$ 1.21

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31

	2001	2000	1999
		(Thousands)	
Retained earnings at beginning of year	\$ 437,328	\$ 552,154	\$ 509,326
Net earnings (loss)	65,221	(78,337)	80,037
Dividends on common shares	(27,804)	(27,609)	(28,374)
Preferred securities charges, net of tax [note 9]	(9,325)	(8,880)	(8,835)
Retained earnings at end of year	\$ 465,420	\$ 437,328	\$ 552,154

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31

	2001	2000	1999
		(Thousands)	
Operating activities			
Net earnings (loss)	\$ 65,221	\$ (78,337)	\$ 80,037
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	129,387	117,005	136,863
Provision for future taxes (recovery) [note 15]	32,757	29,961	(12,004)
Writedown of mineral properties [note 4]	—	127,738	45,523
Provision for waste disposal [note 13]	—	20,218	—
Gain on sale of property interests [note 22]	—	—	(13,129)
Earnings from Bruce Power [note 19]	(12,167)	—	—
Deferred revenue recognized	(10,373)	(15,727)	(12,793)
Other non-cash items	—	—	3,670
Other operating items [note 16]	(88,578)	23,447	21,245
Cash provided by operations [note 25]	116,247	224,305	249,412
Investing activities			
Additions to property, plant and equipment	(58,275)	(94,977)	(211,551)
Increase in long-term receivables, investments and other	(94,808)	(991)	5,058
Decrease in long-term receivables, investments and other	21,963	10,601	—
Proceeds on sale of property interests [note 22]	—	—	239,177
Proceeds on sale of property, plant and equipment	403	246	3,896
Cash provided by (used in) investing	(130,717)	(85,121)	36,580
Financing activities			
Increase in debt	79,932	—	98,289
Repayment of debt	(25,485)	(61,561)	(323,119)
Restricted cash	409	79	3,825
Issue of shares, net of issue costs	5,208	911	1,479
Shares repurchased	—	(46,484)	(12,394)
Preferred securities charges	(17,268)	(16,445)	(16,361)
Dividends	(27,720)	(28,022)	(28,708)
Cash provided by (used in) financing	15,076	(151,522)	(276,989)
Increase (decrease) in cash during the year	606	(12,338)	9,003
Cash at beginning of year	33,131	45,469	36,466
Cash at end of year	\$ 33,737	\$ 33,131	\$ 45,469
Supplemental cash flow disclosure			
Interest paid	\$ 22,860	\$ 28,601	\$ 32,968
Income taxes paid	\$ 3,916	\$ 4,316	\$ 14,599

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2001, 2000 and 1999

1. Cameco Corporation (Cameco)

Cameco is incorporated under the Canada Business Corporations Act. Cameco is primarily engaged in the exploration for and the development, mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. The company has an interest in the Bruce Power electrical generation plant in Ontario. Cameco is also involved in the exploration for and the development, mining and sale of gold.

2. Accounting Policies

A summary of significant accounting policies of Cameco follows the notes to the consolidated financial statements.

3. Inventories

	2001	2000
	(Thousands)	
Nuclear		
Concentrate	\$ 305,252	\$ 311,918
Conversion	31,946	22,484
Broken ore	5,360	23,840
	342,558	358,242
Gold		
Broken ore	8,368	6,195
Finished	3,458	288
	11,826	6,483
Total inventories	354,384	364,725
Less non-current inventories	—	(17,584)
Net	\$ 354,384	\$ 347,141

4. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	2001 Net	2000 Net
			(Thousands)	
Nuclear				
Mining	\$ 2,266,385	\$ 830,328	\$ 1,436,057	\$ 1,483,745
Development	314,602	—	314,602	292,222
Conversion	243,738	116,840	126,898	133,149
Gold				
Mining	225,514	128,515	96,999	118,053
Development	3,916	—	3,916	—
Other	45,901	29,949	15,952	17,651
Total	\$3,100,056	\$1,105,632	\$1,994,424	\$2,044,820

In 2000, as a result of depressed uranium prices, Cameco recorded a writedown of \$127,738,000 relating to certain of its in situ leach mining assets located in the United States. The amount of the writedown was determined based on estimated future net cash flows and uranium price forecasts.

In 1999, after a prolonged period of depressed gold prices, Cameco reduced the carrying value of its investment in the Kumtor gold mine by \$45,523,000. The amount of the writedown was determined based on estimated future net cash flows assuming a future gold price of \$300 (US) per ounce.

5. Long-Term Receivables, Investments and Other

	2001	2000
	(Thousands)	
Kumtor Gold Company		
Subordinated loan – principal [note 18]	\$ 80,307	\$ 96,850
Subordinated loan – interest	501	958
Restricted cash – debt reserve	11,723	11,428
Interest in Bruce Power Limited Partnership [note 19]	81,416	--
Deferred charges	31,642	10,880
Advances receivable	23,593	22,546
Long-term investments (market \$20,092)	17,564	17,564
Investment in Technology Commercialization International, Inc.	4,703	--
Accrued pension benefit asset [note 21]	3,094	4,064
Other	9,722	9,165
	264,265	173,455
Less current portion	(30,304)	(4,995)
Net	\$ 233,961	\$ 168,460

The security agreement between Kumtor Gold Company (KGC) and the senior debt lenders to the project requires funds sufficient to meet those senior debt principal and interest payments scheduled to occur over the ensuing six months to be held in a debt reserve account until paid.

Cameco acquired a 30% interest in Technology Commercialization International, Inc. for \$3,000,000 (US). The equity method is being used to account for the investment.

6. Long-Term Debt

	2001	2000
	(Thousands)	
Debentures	\$ 148,830	\$ 98,838
Commercial paper	145,498	114,665
Kumtor Gold Company [note 18]		
Senior debt	49,017	70,843
Subordinated debt	10,617	10,001
	353,962	294,347
Less current portion	(26,189)	(24,670)
Net	\$ 327,773	\$ 269,677

Cameco has a \$400,000,000 unsecured long-term revolving credit facility that is available until February 18, 2003 and bears interest at margins over bankers acceptances and LIBOR of 0.17%. Amounts drawn under this facility are classified as long-term debt up to the limit available under the facility. Amounts outstanding are:

- Commercial paper: \$145,498,000 comprised of \$62,945,000 (Cdn) and \$51,836,000 (US), (2000 - \$114,665,000 comprised of \$24,625,000 (Cdn) and \$60,019,000 (US)). Bears interest at an average rate of 2.1% (2000 - 6.7%).

Cameco completed a \$50,000,000 debt issuance on July 6, 2001 in the form of senior unsecured debentures. These debentures bear interest at a rate of 7.0% per annum and will mature July 6, 2006. Cameco also has \$100,000,000 outstanding in senior unsecured debentures that bear interest at a rate of 6.9% per annum and will mature July 12, 2006.

Cameco has \$293,546,000 (\$143,800,000 (Cdn) and \$94,026,000 (US)) in letter of credit facilities. Outstanding letters of credit at December 31, 2001 amounted to \$147,454,000 (2000 - \$142,913,000).

The table below represents currently scheduled maturities of long-term debt over the next five years and thereafter, including Cameco's one-third share of Kumtor Gold Company principal repayments on debt.

	(Thousands)
2002	\$ 26,189
2003	163,460
2004	4,866
2005	2,654
2006	154,139
thereafter	2,654
Total	\$ 353,962

Pursuant to the terms of the Kumtor financing arrangements [note 18], Cameco has guaranteed, subject to exclusions in respect of defined political force majeure events, the repayment of Kumtor's senior debt. Cameco's contingent obligations under these guarantees exceed the amount included in Cameco's long-term debt as at December 31, 2001 by \$98,034,000 (2000 - \$141,687,000).

7. Provision for Reclamation

	2001	2000
	(Thousands)	
Nuclear		
Mining	\$ 55,429	\$ 53,465
Conversion [note 13]	73,601	70,522
Gold	10,553	7,979
Total	\$ 139,583	\$ 131,966

Cameco's estimates of decommissioning and reclamation costs are based on reclamation standards which meet or exceed regulatory requirements and are stated in current dollars. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be \$236,000,000. These estimates are formally reviewed by Cameco technical personnel at least every two years or more frequently as required by regulatory agencies. These costs are accrued and charged to operations using the unit-of-production method so that the estimated future liability will be fully provided when decommissioning and reclamation activities are undertaken. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of \$137,793,000 in the form of letters of credit to satisfy current regulatory requirements.

8. Other Liabilities

	2001	2000
	(Thousands)	
Accrued post-retirement benefit liability [note 21]	\$ 3,809	\$ 3,465
Deferred revenue	2,848	3,632
Other	7,312	9,902
	13,969	16,999
Less current portion	(4,182)	(3,865)
Net	\$ 9,787	\$ 13,134

9. Preferred Securities

Cameco issued \$125,000,000 (US), 8.75% preferred securities in denominations of \$25 (US) each due September 30, 2047 accruing interest from the date of issuance payable quarterly commencing December 31, 1998.

The preferred securities are redeemable, at the option of Cameco, in whole or in part at any time on or after October 14, 2003 at a redemption price equal to 100% of the principal amount of the preferred securities to be redeemed plus any accrued and unpaid interest thereon to the date of redemption.

The principal amounts of the preferred securities, net of after tax issue costs of \$4,330,000 (Cdn) have been classified as equity, and interest payments on an after tax basis are classified as distributions of equity, as Cameco has the unrestricted ability to settle its obligations by delivering common shares of Cameco.

10. Share Capital

Authorized share capital:

- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of voting common shares, and
- One Class B share

(a) Common Shares

Number issued	2001	2000	1999
		(Number of Shares)	
Beginning of year	55,512,440	57,238,469	57,655,562
Issued:			
Shares repurchased	—	(2,350,101)	(535,000)
Share savings plan	—	607,072	94,640
Stock option plan [note 20]	159,000	17,000	23,267
Issued share capital	55,671,440	55,512,440	57,238,469

Amount	2001	2000	1999
		(Thousands)	
Beginning of year	\$ 672,487	\$ 693,560	\$ 698,475
Issued:			
Shares repurchased	—	(28,201)	(6,420)
Share savings plan	—	6,830	1,064
Stock option plan [note 20]	3,917	298	441
Issued share capital	676,404	672,487	693,560
Less loans receivable [note 20]	(6,373)	(6,836)	(9,773)
End of year	\$ 670,031	\$ 665,651	\$ 683,787

- (i) Pursuant to an open market share repurchase program for a one year period ending September 28, 2000, the Company repurchased a total of 2,885,101 shares at a cost of \$58,878,000 (2000 - \$46,484,000; 1999 - \$12,394,000). The excess of the repurchase cost of these shares over their book value, amounting to \$24,257,000 (2000 - \$18,283,000; 1999 - \$5,974,000) was charged to contributed surplus.
- (ii) Options in respect of 2,195,783 shares are outstanding under the stock option plan and are exercisable up to 2009 [note 20]. Upon exercise of certain existing options, additional options in respect of 314,250 shares would be granted.
- (iii) The aggregate number of common shares that may be issued, after December 5, 1995, pursuant to the Cameco stock option plan [note 20], shall not exceed 5,243,403, of which 681,296 shares have been issued.
- (iv) On December 31, 1990, Cameco issued 10-year, 11% redeemable and exchangeable bonds registered to subscribing employees under a share savings plan. The plan matured in 2000 and all outstanding bonds were exchanged for Cameco shares or redeemed.

(b) Class B Share

One Class B share issued during 1988 and assigned \$1 of share capital, entitles the shareholder to vote separately as a class in respect of any proposal to locate the head office of Cameco to a place not in the province of Saskatchewan.

11. Cumulative Translation Account

The balance of \$19,779,000 (2000 - \$21,542,000) represents the cumulative unrealized net exchange gain on Cameco's net investments in foreign operations, and on the foreign currency debt and preferred securities designated as hedges of the net investments.

12. Interest and Other

	2001	2000	1999
	(Thousands)		
Interest expense			
Short-term debt	\$ 1,616	\$ 1,792	\$ 2,758
Long-term debt	20,116	26,521	29,779
Interest income	(10,773)	(15,903)	(12,880)
Foreign exchange (gains) losses	(791)	(2,279)	3,688
Capitalized interest	(12,534)	(15,788)	(19,925)
Net	\$ (2,366)	\$ (5,657)	\$ 3,420

13. Provision for Waste Disposal

The terms of the agreement to transfer assets from Canada Eldor Inc. to Cameco (the "Agreement") included a formula for sharing any future costs related to certain specified wastes accumulated by Canada Eldor Inc. and transferred to Cameco on October 5, 1988. Pursuant to the cost sharing formula, Cameco assumed responsibility for the first \$2,000,000 of related costs and 23/98th of the next \$98,000,000 resulting in a maximum liability of \$25,000,000.

In 2000, an agreement was reached between the government of Canada and the communities of Port Hope, Hope Township and Clarington for the cleanup, storage and long-term management of certain specified wastes covered under the Agreement. Cameco has recognized a liability of \$20,218,000 representing its remaining obligation pursuant to the cost sharing formula.

14. Other Income (Expenses)

	2001	2000	1999
	(Thousands)		
Dividend on long-term investment	\$ 590	\$ 1,896	\$ 1,641
Provision for decline in value of investment in associated company	—	—	(2,746)
Other	—	—	(923)
Net	\$ 590	\$ 1,896	\$ (2,028)

15. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

	2001	2000
	(Thousands)	
Assets		
Property, plant and equipment	\$ 40,718	\$ 35,923
Provision for reclamation	47,000	47,926
Foreign exploration and development	26,120	41,500
Other	4,989	4,051
Future income tax assets before valuation allowance	118,827	129,400
Valuation allowance	(45,790)	(43,677)
Future income tax assets, net of valuation allowance	\$ 73,037	\$ 85,723
Liabilities		
Property, plant and equipment	\$ 544,957	\$ 529,901
Inventories	21,311	23,778
Long-term investments	8,600	—
Future income tax liabilities	\$ 574,868	\$ 553,679
Net future income tax liabilities	\$ 501,831	\$ 467,956
Less current portion	(21,311)	(22,632)
	\$ 480,520	\$ 445,324

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2001	2000	1999
	(Thousands)		
Earnings (loss) before income taxes	\$ 107,564	\$ (43,836)	\$ 77,299
Combined federal and provincial tax rate	45.5%	45.6%	45.9%
Computed income tax expense (recovery)	48,942	(20,000)	35,480
Increase (decrease) in taxes resulting from:			
Provincial royalties and other taxes	10,212	13,959	18,074
Federal resource allowance	(6,710)	(10,152)	(12,852)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(12,895)	(9,045)	695
Writedown of mineral properties	—	52,003	15,380
Sale of property interests [note 22]	—	—	(59,325)
Large corporations and other taxes	4,558	5,303	5,496
Other	(1,764)	2,433	(5,686)
Income tax expense (recovery)	42,343	\$ 34,501	\$ (2,738)

	2001	2000	1999
	(Thousands)		
Current income taxes			
Canada	\$ 7,704	\$ 3,552	\$ 8,250
Other	1,882	988	1,016
	\$ 9,586	\$ 4,540	\$ 9,266
Future income taxes (recovery)			
Canada	\$ 31,047	\$ 33,301	\$ (10,536)
United States	—	(4,284)	—
Other	1,710	944	(1,468)
	\$ 32,757	\$ 29,961	\$ (12,004)
Net	\$ 42,343	\$ 34,501	\$ (2,738)

16. Other Operating Items

	2001	2000	1999
	(Thousands)		
Changes in non-cash working capital:			
Accounts receivable	\$ (82,094)	\$ (6,162)	\$ (11,908)
Interest receivable	515	10,954	(10,421)
Inventories	7,469	19,709	47,926
Supplies and prepaid expenses	(24)	1,703	3,772
Accounts payable and accrued liabilities	5,992	9,654	(12,464)
Other liabilities	(2,117)	(2,745)	(17,306)
Hedge position settlements	(11,328)	(11,746)	28,490
Reclamation payments	(5,655)	(4,011)	(8,211)
Other	(1,336)	6,091	1,367
Total	\$ (88,578)	\$ 23,447	\$ 21,245

17. Joint Ventures

Certain of Cameco's development, mining and milling activities are conducted through joint ventures as follows:

	Operator	(% Participation)
Uranium		
Producing:		
McArthur River [note 22]	Cameco	69.81
Key Lake [note 22]	Cameco	83.33
Non-producing:		
Cigar Lake	Cigar Lake Mining Corp.	50.03
Gold		
Producing:		
Kumtor Gold Company	Cameco	33.33

Production expenses relating to mining and milling activities are included in the cost of inventory. Certain of the joint ventures allocate inventory to each of the joint venture participants and the joint venture participants derive revenue directly from the sale of such inventory. Cameco's share of assets and liabilities of these joint ventures is as follows:

	2001	2000
	(Thousands)	
Current assets	\$ 14,805	\$ 17,212
Property, plant and equipment, at cost	1,124,864	1,106,944
	\$1,139,669	\$1,124,156
Current liabilities	\$ 11,976	\$ 17,628
Net investment		
Uranium	1,124,725	1,103,620
Gold	2,968	2,908
	\$1,139,669	\$1,124,156

For the Kumtor gold joint venture, which obtains revenue from the sale of products, Cameco's share of the assets and liabilities, revenue and expenses, and cash flows is as follows:

	2001	2000
		(Thousands)
Current assets	\$ 41,422	\$ 40,520
Property, plant and equipment	104,822	128,034
	\$ 146,244	\$ 168,554
Current liabilities	\$ 4,742	\$ 4,611
Long-term liabilities	104,721	137,525
Equity	36,781	26,418
	\$ 146,244	\$ 168,554

	2001	2000	1999
		(Thousands)	
Revenues	\$ 110,225	\$ 104,983	\$ 96,934
Expenses	(81,523)	(101,838)	(105,934)
Net earnings (loss)	\$ 28,702	\$ 3,145	\$ (9,000)
Cash provided by (used in)			
Operating activities	\$ 39,804	\$ 31,821	\$ 21,667
Investing activities	(2,492)	(1,242)	(1,406)
Financing activities	(44,517)	(29,970)	(23,734)
Increase (decrease) in cash during the year	\$ (7,205)	\$ 609	\$ (3,473)

18. Kumtor Gold Company (KGC) Joint Venture

On May 26, 1994, Cameco, the Republic of Kyrgyzstan and Kyrgyzaltyn, an instrumentality of the Republic, signed an amended joint venture master agreement that provided for the exploration, development, operation and arrangement of financing, of the Kumtor gold project by Cameco. KGC was formed in the Republic of Kyrgyzstan as a joint stock company to hold the assets of the Kumtor gold project pursuant to the master agreement. Kyrgyzaltyn holds a two-thirds interest in KGC and Cameco holds a one-third interest.

Cameco has guaranteed, subject to exclusions in respect of defined political force majeure events, the repayment of Kumtor's senior debt.

Cameco has proportionately consolidated its one-third interest in KGC.

KGC's long-term debt at December 31, is as follows:

Senior debt (US dollar denominated):

	2001	2000
	(Thousands)	
• Commercial banks \$46,500,000 (2000 - \$77,500,000) (US) repayable in three remaining equal semi-annual installments, with interest based on LIBOR plus 0.9%. Political risk insurance has been purchased separately by KGC.	\$ 74,056	\$ 116,266
• Export Development Corporation (EDC) \$20,833,333 (2000 - \$29,166,666) (US)	33,179	43,756
• International Finance Corporation (IFC) \$12,500,000 (2000 - \$17,500,000) (US)	19,908	26,254
• European Bank for Reconstruction and Development (EBRD) \$12,500,000 (2000 - \$17,500,000) (US)	19,908	26,254
The EDC, IFC and EBRD interest rate is based on LIBOR plus 3% which includes a premium for political risk insurance. These loans are repayable in five remaining equal semi-annual installments.		
The senior debt is secured by the assets and shares of KGC.		
Total senior debt	\$ 147,051	\$ 212,530

Subordinated debt (US dollar denominated):

• Shareholder loan from Cameco with interest based on LIBOR plus 6%, repayable in 12 equal semi-annual installments commencing on December 2, 1999. \$75,637,276 (2000 - \$96,837,276)(US). In accordance with the terms of the loan agreement, certain installments have been deferred amounting to \$12,965,000 (2000 - \$16,259,000) (US).	120,460	145,275
• EBRD \$10,000,000 (2000 - \$10,000,000) (US)	15,926	15,002
• IFC \$10,000,000 (2000 - \$10,000,000) (US)	15,926	15,002
The IFC and EBRD subordinated debt is repayable in four equal semi-annual installments commencing on December 2, 2005, extendible at the option of EBRD or IFC to commence no later than December 2, 2013. The interest rate applicable to the EBRD and IFC subordinated debt is based on the cash generated by the project subject to a minimum interest rate. The annualized rate for 2001 was approximately 5.8% (2000 - 12.3%).		
Total KGC debt	\$ 299,363	\$ 387,809

Cameco's one-third proportionate share of KGC senior debt is \$49,017,000 (2000 - \$70,843,000) and of KGC's third party subordinated debt is \$10,671,000 (2000 - \$10,001,000) [note 6].

19. Investment in Bruce Power L.P. (Bruce Power)

(a) Investment

On May 12, 2001, Bruce Power finalized a long-term lease with Ontario Power Generation Inc. (OPG) to operate the Bruce nuclear facility. The facility is comprised of four operating nuclear generating stations and four non-operating nuclear generating stations in Ontario. The lease agreement is for a period of 18 years with an option to extend the lease for up to an additional 25 years.

Cameco holds a 15% limited partnership interest in Bruce Power and has committed to invest up to an aggregate of \$100,000,000 in the project. The equity method is being used to account for this investment.

Under the lease agreement, OPG, as the owner of the Bruce nuclear plants, is responsible to decommission the Bruce nuclear facility and to provide funding and meet other requirements that the Canadian Nuclear Safety Commission (CNSC) may require of Bruce Power as licensed operator of the Bruce nuclear plants. OPG is also responsible to manage radioactive waste associated with decommissioning of the Bruce nuclear plants.

In addition to investment commitments, Cameco agreed to provide the following guarantees relating to Bruce Power:

- (i) Licensing assurances to Canadian Nuclear Safety Commission of \$60,000,000.
- (ii) Guarantees to customers under power sale agreements of up to \$15,790,000.
- (iii) Termination payments to OPG pursuant to the lease agreement of \$26,250,000.

(b) Fuel Supply Agreements

Cameco has entered into fuel supply agreements with Bruce Power to supply uranium and conversion services to the project under long-term contract. Contract terms are at market rates and on normal trade terms.

As part of the fuel supply agreements, Cameco agreed to finance the purchase of 555,740 kgU of fabricated fuel on behalf of Bruce Power from OPG. To December 31, 2001, Cameco had financed 522,285 kgU of this fabricated fuel. At December 31, 2001, the amount receivable from Bruce Power under these agreements, including accrued interest receivable, was \$39,572,000.

Amounts receivable relating to the fuel supply agreements bear interest at Canadian prime plus 2%. Interest earned by Cameco for the year ended December 31, 2001 relating to the fuel supply agreements was \$1,679,000.

20. Stock Option Plan

Cameco has established a stock option plan under which options to purchase common shares may be granted to directors, officers and other employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on The Toronto Stock Exchange for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options under the original plan expire 10 years from the date of the grant of the option.

During 1999, Cameco amended the stock option plan and ceased to offer loans to assist in the purchase of common shares pursuant to the exercise of options. The options available under the amended stock option plan expire eight years from the grant of the option.

Prior to 1999, participants were eligible to receive loans from Cameco to assist in the purchase of common shares pursuant to the exercise of options. The maximum term of the loans was 10 years from the date of the grant of the related option. The loans bear interest at a rate equivalent to the regular dividends paid on the common shares to which the loans were provided. Common shares purchased by way of a company loan are held in escrow in the account of the option holder and are pledged as security for the respective loan until the loan has been repaid in full.

Outstanding loans are shown as a reduction of share capital.

Stock option transactions for the respective years were as follows:

	2001	2000	1999
	(Number of Shares)		
Beginning of year	1,987,883	1,763,933	1,445,325
Options granted	482,850	404,800	430,500
Options exercised [note 10]	(159,000)	(17,000)	(23,267)
Options cancelled	(115,950)	(163,850)	(88,625)
End of year	2,195,783	1,987,883	1,763,933
Exercisable	1,362,983	1,122,133	856,683

Weighted average exercise prices were as follows:

	2001	2000	1999
Beginning of year	\$ 38.72	\$ 43.12	\$ 46.45
Options granted	28.98	18.76	31.75
Options exercised	24.64	17.51	18.95
Options cancelled	43.52	39.06	48.47
End of year	\$ 37.34	\$ 38.72	\$ 43.12
Exercisable	\$ 44.09	\$ 46.66	\$ 46.95

Total options outstanding and exercisable at December 31, 2001 were as follows:

2001		Options Outstanding		Options Exercisable	
Option Price/Share	Number	Weighted Average Remaining Life	Weighted Average Price Exercisable	Number	Weighted Average Price Exercisable
\$ 15.00-35.00	1,349,883	6.6	\$ 26.96	517,083	\$ 28.02
35.01-55.00	606,700	6.5	46.00	606,700	46.00
55.01-75.50	239,200	5.0	73.98	239,200	73.98

21. Pension and Other Post-Retirement Benefits

Cameco maintains both defined benefit and defined contribution plans providing pension and post-retirement benefits to substantially all of its employees.

Pension Plans

The pension expense for Cameco's defined contribution plans was \$4,411,337 (2000-\$4,268,320; 1999-\$4,355,000).

The status of defined benefit pensions plans are as follows:

	2001	2000
	(Thousands)	
Accrued Benefit Obligation		
Balance at beginning of year	\$ 11,882	\$ 10,514
Current service cost	743	743
Interest cost	998	890
Benefits paid	(293)	(265)
Balance at end of year	\$ 13,330	\$ 11,882
Plan Assets		
Fair value at beginning of year	\$ 10,925	\$ 8,729
Actual return on plan assets	(297)	316
Employer contributions	580	2,145
Benefits paid	(293)	(265)
Fair value at end of year	\$ 10,915	\$ 10,925
Funded status	\$ (2,415)	\$ (957)
Unamortized net actuarial loss	1,757	574
Unamortized transitional obligation	3,752	4,447
Accrued pension benefit asset	\$ 3,094	\$ 4,064

Significant actuarial assumptions used in calculating the net pension expense for Cameco's funded plans were as follows:

	2001	2000	1999
Discount rate	7.5%	8.0%	8.0%
Long-term rate of return on assets	8.0%	8.0%	8.0%
Rate of increase in compensation levels	4.5%	4.5%	4.5%

Net pension expense for the defined benefit pension plans has been determined as follows:

	2001	2000	1999
	(Thousands)		
Cost of benefits earned by employees	\$ 743	\$ 743	\$ 456
Interest cost on benefits earned	998	890	755
Expected return on pension plan assets	(885)	(774)	(540)
Net amortization	694	648	109
Net pension expense	\$ 1,550	\$ 1,507	\$ 780

Other Post-Retirement Benefits

Cameco provides post-retirement benefits to substantially all employees. The costs are accrued over the expected service lives of employees, however no funding is provided. The status of the plan is as follows:

	2001	2000
	(Thousands)	
Accrued Benefit Obligation		
Balance at beginning of year	\$ 3,465	\$ 3,144
Current service cost	147	147
Interest cost	263	247
Benefits paid	(66)	(73)
Accrued post-retirement benefit liability	\$ 3,809	\$ 3,465

22. Sale of Property Interests

In 1999, Cameco completed a series of transactions to effect the sale of a 16.67% interest in the Key Lake operation, a 13.96% interest in the McArthur River uranium project and its 20% interest in the proposed Midwest uranium project. As a result of this disposition, Cameco decreased its ownership interest in the Key Lake operation to 83.33% and McArthur River project to 69.81%. These transactions were accounted for as follows:

	1999
	(Thousands)
Proceeds on sale	\$ 250,900
Less cash sold	(11,723)
Net proceeds on sale	239,177
Less carrying values of property interests	(226,048)
Gain on disposition before tax recovery	13,129
Deferred tax recovery [note 15]	59,325
Net gain on sale of property interests	\$ 72,454

23. Commitments and Contingencies

- (a) Cameco is a co-defendant, with Canada Eldor Inc., in a lawsuit brought in 1993 on behalf of certain members of the Eldorado Pension Plan (plan). The lawsuit is based on the fact that approximately \$15,500,000 of plan expenses and employer contributions was funded from the plan surplus rather than from the co-defendants.

The co-defendants have a number of defenses which continue to be vigorously pursued. Management remains of the opinion, after review of the facts with counsel, that the outcome of this case will not have a material impact on Cameco's financial position, results of operations or liquidity.

- (b) An action against Cameco, Cameco Gold Inc., Kumtor Operating Company and certain other parties commenced in a Canadian court by certain dependents of nine persons seeking damages, in the amount of \$20,700,000 plus interest and costs including punitive damages, in connection with the death of the said nine persons in a helicopter accident in Kyrgyzstan on October 4, 1995, is continuing. This action is being defended by the insurers of Cameco. Management is of the opinion, after review of the facts with counsel, that the outcome of this action will not have a material financial impact on Cameco's financial position, results of operations or liquidity.
- (c) An action against Cameco was filed by Oren Benton on November 28, 2000 in the State of Colorado, U.S.A.. The action alleges breach of contract and tortious interference and sets forth a claim for purported damages with respect to each of these charges of \$100,000,000 (US).

Management is of the opinion, after review of the facts with counsel, that the claim is completely without merit and that the outcome of this action will not have a material financial impact on Cameco's financial position, results of operations or liquidity.

(d) Commitments

Cameco's purchase commitments, the majority of which are under fixed price arrangements for nuclear products and services from various sources at December 31, 2001, were as follows:

	(Millions (US))
2002	\$ 66
2003	86
2004	76
2005	67
2006	61
thereafter	516
Total	\$ 872

24. Financial Instruments

The majority of revenues are derived from the sale of uranium products. Cameco's financial results are closely related to the long and short-term market price of uranium and conversion services. Prices are subject to fluctuation and are affected by demand for nuclear power, worldwide production and uranium inventory levels, and political and economic conditions in uranium producing and consuming countries. Revenue from gold operations is largely dependent on the market price of gold which is subject to significant fluctuation affected by industry and economic factors and worldwide production and central banks' inventory levels. Financial results are also impacted by changes in foreign currency exchange rates, interest rates and other operating risks.

To hedge risks associated with fluctuations in the market price for uranium, Cameco seeks, when market conditions permit, to maintain a portfolio of uranium contracts with a variety of delivery dates and pricing mechanisms which provides a degree of protection from price volatility. To hedge risks associated with gold prices and foreign currency exchange rates, Cameco employs a number of financial instruments. Cameco uses a series of put and call options to establish a minimum and maximum price range for gold sales and exchange rates for cash flows denominated in a foreign currency. Cameco also enters into forward sales contracts which establish a price for future deliveries of gold and US dollars. Net realized gains (losses) on contracts designated as hedges are recorded as deferred revenues (deferred charges) and recognized in earnings when the original hedged transaction occurs.

Instruments such as swaps, puts and calls and forward rate agreements are used by Cameco to manage funding costs and reduce the impact of interest rate volatility.

Financial assets which are subject to credit risks include cash and securities, accounts receivable and commodity and currency instruments. Cameco mitigates credit risk on these financial assets by holding positions with a variety of large creditworthy institutions. Sales of uranium, with short payment terms, are made to customers which management believes are creditworthy.

Except as disclosed below, the fair market value of Cameco's financial assets and financial liabilities approximates net book value as a result of the short-term nature of the instrument or the variable interest rate associated with the instrument.

Currency

At December 31, 2001, Cameco had hedged \$591,797,000 (US) at an average spot exchange rate of \$1.564 designated to various dates through 2005 as follows:

	(Thousands)
2002	\$ 279,797
2003	162,000
2004	85,000
2005	65,00
Total	\$ 591,797

These hedge positions consist entirely of spot-deferred forward contracts. At December 31, 2001, Cameco's net mark-to-market loss on these foreign currency instruments was \$16,649,000 (Cdn).

Interest

At December 31, 2001, Cameco had in place \$90,000,000 (Cdn) of interest rate swaps whereby Cameco receives fixed interest rates ranging from 2.1% to 6.1%. These positions are designated to various dates through 2006 as follows:

	(Thousands)
2002	\$ 25,000
2003	—
2004	25,000
2005	25,000
2006	15,000
Total	\$ 90,000

At December 31, 2001, Cameco's net mark-to-market gain on these interest rate swaps was \$1,029,000 (Cdn).

Commodity

At December 31, 2001, Cameco's share of Kumtor gold hedging positions consisted of:

	Amount Hedged (000s oz)	Average Price (US\$/oz)
Spot deferred forward contracts	294	\$ 296
Put options purchased	58	\$ 277
Call options sold	58	\$ 295

Average prices reflect contract prices as at December 31, 2001 to their initial maturity date which is earlier than the designation date in many cases.

These positions have been designated against deliveries as follows:

	(Ounces)
2002	140,000
2003	111,000
2004	54,000
2005	34,000
2006	13,000
Total	352,000

From the initial maturity date to the designation date contract prices are expected to accrue contango. The rate of contango earned will depend on the difference between future US interest rates and gold lease rates.

At December 31, 2001, the net mark-to-market gain on the above instruments was \$5,717,000 (US).

25. Per Share Amounts

Cameco changed its policy for computing and disclosing earnings per share by adopting, effective January 1, 2001, the new standard of the Canadian Institute of Chartered Accountants for computing earnings per share. This is required to be applied retroactively and accordingly diluted earnings per share for prior periods have been restated. Per share amounts have been calculated based on the weighted average number of common shares outstanding during the year net of shares held as security for employee loans to purchase such shares. The weighted average number of paid shares outstanding in 2001 was 55,398,552 (2000 - 55,522,935; 1999 - 57,380,167).

	2001	2000	1999
		(Thousands)	
Basic earnings per share computation			
Earnings (loss) available to common shareholders	\$ 55,896	\$ (87,217)	\$ 71,202
Weighted average common shares outstanding	55,399	55,523	57,380
Basic earnings (loss) per common share	\$ 1.01	\$ (1.57)	\$ 1.24
Diluted earnings per share computation			
Numerator			
Earnings (loss) available to common shareholders	\$ 55,896	\$ (87,217)	\$ 71,202
Dilutive effect of:			
Exchangeable bonds	—	—	406
Preferred securities	—	—	8,835
Earnings (loss) available to common shareholders, assuming dilution	\$ 55,896	\$ (87,217)	\$ 80,443
Denominator			
Weighted average common shares outstanding	55,399	(55,523)	57,380
Dilutive effect of:			
Stock options	203	—	—
Deferred share units	16	—	—
Exchangeable bonds	—	—	707
Preferred securities	—	—	8,219
Weighted average common shares outstanding, assuming dilution	55,618	55,523	66,306
Diluted earnings (loss) per common share	\$ 1.01	\$ (1.57)	\$ 1.21

Options whose exercise price was greater than the average market price were excluded from the calculation.

	2001	2000	1999
		(Per Share)	
Other per share amounts			
Cash provided by operations	\$ 2.10	\$ 4.04	\$ 4.35
Earnings (loss) from operations	\$ 1.71	\$ (0.82)	\$ 1.38

26. Segmented Information

Cameco has two reportable segments: nuclear and gold. The nuclear segment involves the mining, milling, refining, conversion and sale of uranium concentrate. The gold segment involves the mining, milling and sale of gold.

Cameco's reportable segments are strategic business units with different products, different processes and different marketing strategies.

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies.

(a) Business Segments

2001	Nuclear	Gold	Total
		(Millions)	
Revenue	\$ 585.8	\$ 115.0	\$ 700.8
Products and services sold	370.0	52.1	422.1
Depreciation, depletion and reclamation	100.2	29.2	129.4
Exploration	10.1	8.1	18.2
Research and development	2.1	—	2.1
Earnings from Bruce Power	(12.2)	—	(12.2)
Other	(0.6)	—	(0.6)
Non-segmented expenses			34.3
Earnings before income taxes	116.2	25.6	107.5
Income taxes			42.3
Net earnings	\$ 116.2	\$ 25.6	\$ 65.2
Assets	\$ 2,623.5	\$ 323.8	\$ 2,947.3
Capital expenditures for the year	\$ 55.9	\$ 2.4	\$ 58.3

2000	Nuclear	Gold	Total
		(Millions)	
Revenue	\$ 579.7	\$ 109.2	\$ 688.9
Products and services sold	364.5	49.4	413.9
Depreciation, depletion and reclamation	85.9	31.1	117.0
Exploration	11.6	9.2	20.8
Research and development	2.5	—	2.5
Writedown of mineral properties	127.7	—	127.7
Provision for waste disposal	20.2	—	20.2
Other	(1.9)	—	(1.9)
Non-segmented expenses			32.5
Loss before income taxes	(30.8)	19.5	(43.8)
Income taxes			34.5
Net loss	\$ (30.8)	\$ 19.5	\$ (78.3)
Assets	\$ 2,479.5	\$ 321.0	\$ 2,800.5
Capital expenditures for the year	\$ 78.7	\$ 5.4	\$ 84.1

1999	Nuclear	Gold (Millions)	Total
Revenue	\$ 634.4	\$ 107.2	\$ 741.6
Products and services sold	378.8	50.1	428.9
Depreciation, depletion and reclamation	96.7	40.2	136.9
Exploration	11.4	11.2	22.6
Research and development	2.3	—	2.3
Writedown of mineral properties	—	45.5	45.5
Gain on sale of property interests	(13.1)	—	(13.1)
Other	(1.6)	3.6	2.0
Non-segmented expenses			39.2
Earnings before income taxes	159.9	(43.4)	77.3
Income taxes			(2.7)
Net earnings	\$ 159.9	\$ (43.4)	\$ 80.0
Assets	\$ 2,661.1	\$ 303.0	\$ 2,964.1
Capital expenditures for the year	\$ 199.0	\$ 2.1	\$ 201.1

(b) Geographic Segments

	2001	2000 (Millions)	1999
Revenue from products and services			
Canada — domestic	\$ 50.1	\$ 41.1	\$ 49.0
— export	413.3	474.2	532.1
United States	122.4	64.3	59.1
Central Asia	115.0	109.3	101.4
	\$ 700.8	\$ 688.9	\$ 741.6
Assets			
Canada	\$ 2,489.6	\$ 2,376.4	\$ 2,408.0
United States	179.8	123.0	258.8
Central Asia	277.9	301.1	297.3
	\$ 2,947.3	\$ 2,800.5	\$ 2,964.1

(c) Major Customers

Cameco relies on a small number of customers to purchase a significant portion of its uranium concentrates and uranium conversion services. During 2001, sales to one customer from the nuclear segment represented approximately \$84 million (12%) of Cameco's total revenues. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedules. During 2000 and 1999, sales to any one customer did not exceed 10% of revenue.

27. Comparative Figures

Certain prior year balances have been reclassified to conform to the current financial statement presentation.

28. Generally Accepted Accounting Principles in Canada and the United States

The consolidated financial statements of Cameco are expressed in Canadian dollars in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP).

(a) Reconciliation of earnings in accordance with Canadian GAAP to earnings determined in accordance with US GAAP.

	2001	2000	1999
		(Thousands)	
Net earnings (loss) under Canadian GAAP	\$ 65,221	\$ (78,337)	\$ 80,037
Add (deduct) adjustments for:			
Interest on preferred securities (i)	(17,268)	(16,445)	(16,361)
Capitalized interest (ii)	—	3,312	16,361
Writedown of mineral properties (iii)	—	(35,716)	(12,895)
Depreciation and depletion (iii)	2,895	2,579	645
Mineral property costs (iv)	(6,806)	(2,548)	(10,108)
Pre-operating costs (v)	(6,232)	(5,488)	—
Hedges and derivative instruments (vi)	1,810	—	—
Realization of cumulative translation account (vii)	(3,273)	(3,725)	—
Income tax effect of adjustments	14,542	11,424	4,640
Net earnings (loss) under US GAAP	50,889	(124,944)	62,319
Hedges and derivative instruments (vi)	(22,253)	—	—
Foreign currency translation adjustments	1,509	5,884	(3,177)
Unrealized gain (loss) on available-for-sale securities (viii)	(8,300)	469	10,359
Comprehensive income (loss) under US GAAP	\$ 21,845	\$ (118,591)	\$ 69,501
Net earnings (loss) per share under US GAAP	\$ 0.92	\$ (2.25)	\$ 1.09

(b) Comparison of balance sheet items determined in accordance with Canadian GAAP to balance sheet items determined in accordance with US GAAP.

(i) Balance Sheets

	2001		2000	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
	(Thousands)	(Thousands)	(Thousands)	(Thousands)
Current assets	\$ 718,962	\$ 715,402	\$ 569,675	\$ 572,147
Property, plant and equipment	1,994,424	1,955,437	2,044,820	2,003,465
Long-term receivables, investments and other	233,961	228,674	168,460	174,160
Inventories	—	—	17,584	21,376
Total assets	\$2,947,347	\$2,899,513	\$2,800,539	\$2,771,148
Current liabilities	\$ 166,737	\$ 166,737	\$ 159,909	\$ 159,909
Long-term debt	327,773	523,002	269,677	453,197
Provision for reclamation	139,583	139,583	131,966	131,966
Other liabilities (vi)	9,787	48,809	13,134	13,134
Deferred income taxes	480,520	450,266	445,324	440,247
	1,124,400	1,328,397	1,020,010	1,198,453
Shareholders' equity				
Preferred securities	195,229	—	183,520	—
Share capital	670,031	670,031	665,651	665,651
Contributed surplus	472,488	472,488	472,488	472,488
Retained earnings	465,420	408,906	437,328	385,822
Accumulated other comprehensive income				
— cumulative translation account	19,779	39,416	21,542	37,906
— available-for-sale securities	—	2,528	—	10,828
— hedges and derivative instruments (vi)	—	(22,253)	—	—
	1,822,947	1,571,116	1,780,529	1,572,695
Total liabilities and shareholders' equity	\$2,947,347	\$2,899,513	\$2,800,539	\$2,771,148

(ii) Components of accounts payable and accrued liabilities are as follows:

	2001		2000	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
	(Thousands)		(Thousands)	
Accounts payable	\$ 66,310	\$ 66,310	\$ 67,898	\$ 67,898
Taxes and royalties payable	24,660	24,660	26,009	26,009
Accrued liabilities	17,126	17,126	7,967	7,967
Total accounts payable and accrued liabilities	\$ 108,096	\$ 108,096	\$ 101,874	\$ 101,874

(c) The effects of these adjustments would result in the consolidated statements of cash flows reporting the following under US GAAP:

	2001	2000	1999
	(Thousands)		
Cash provided by operations	\$ 95,568	\$ 221,101	\$ 247,647
Cash provided by (used in) investing	\$ (127,306)	\$ (98,362)	\$ 21,984
Cash provided by (used in) financing	\$ 32,344	\$ (135,077)	\$ (260,628)

(i) Preferred Securities

Preferred securities are classified as equity under Canadian GAAP and interest payments, on an after tax basis, are classified as distributions of equity. Under US GAAP, the preferred securities are classified as debt and interest payments are included in interest expense.

(ii) Capitalized Interest

Cameco's policy under both Canadian GAAP and US GAAP is to capitalize interest on expenditures related to construction of development projects actively being prepared for their intended use. Under US GAAP, a portion of the interest on the preferred securities, classified as debt under US GAAP, would be capitalized to development properties. Also under US GAAP, the carrying value of development projects against which interest is capitalized would be lower (see note (v) below).

(iii) Writedown of Mineral Properties

Under both Canadian and US GAAP, property, plant and equipment must be assessed for potential impairment. Under Canadian GAAP, the impairment loss is the difference between the carrying value of the asset and its recoverable amount calculated as undiscounted estimated future net cash flows. Under US GAAP, if the undiscounted estimated future net cash flows are less than the carrying value of the asset, the impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value has been calculated as the present value of estimated future net cash flows. The resulting difference in the writedown between US and Canadian GAAP also results in a difference in the amount of depreciation and depletion charged to earnings.

(iv) Mineral Property Costs

Consistent with Canadian GAAP, Cameco defers costs related to mineral properties once the decision to proceed to development has been made. Under US GAAP, these costs are expensed until such time as a final feasibility study has confirmed the existence of a commercially mineable deposit.

(v) Pre-Operating Costs

Under Canadian GAAP, pre-operating costs incurred during the commissioning phase of a new project are deferred until commercial production levels are achieved. After such time, those costs are amortized over the estimated life of the project. Under US GAAP, such costs are expensed as incurred as required by AICPA Statement of Position 98-5, Reporting on the Cost of Start-Up Activities. In 2000, these costs related to the production of uranium concentrates at the McArthur River mine and were charged to product inventory. A portion of this product inventory was sold in 2001.

(vi) Hedges and Derivative Instruments

On initial adoption of SFAS 133 on January 1, 2001, additional assets of \$283,000 and liabilities of \$8,732,000 were recorded to reflect the fair value of derivatives designated as hedges and the corresponding change in the fair value of items designated in fair value hedges. A gain of \$179,000 (after tax) relating to the ineffective portion of cash flow hedges was recognized in income and \$4,775,000 (after tax) relating to the fair value of derivatives designated as cash flow hedges was recognized in other comprehensive income as the cumulative effect of application of the SFAS 133.

There were no net gains or losses related to fair value hedges during 2001 and no amounts were excluded from the assessment of hedge effectiveness in fair value hedging relationships.

During 2001, \$16,000 was recognized in earnings for the ineffectiveness of cash flow hedges and \$1,794,000 was excluded from the assessment of hedge effectiveness. For amounts included in other comprehensive income as at December 31, 2001, a gain of \$80,000 (after tax) relates to the hedging of interest rate risk, a loss of \$743,000 (after tax) relates to the hedging of gold price risk, and a loss of \$21,591,000 (after tax) relates to the hedging of foreign exchange rate risk. Of these amounts, \$11,402,000 (after tax) would be recorded in earnings during 2002 if market conditions remained unchanged.

During 2001, no net gains or losses from the hedging of net investments were realized.

(vii) Realization of Cumulative Translation Account

Under Canadian GAAP, a proportionate amount of the cumulative translation account is recognized in earnings when a portion of the net investment in a subsidiary is realized. US GAAP does not allow for any of the cumulative translation account to be taken to earnings unless a portion of the investment has been sold or substantially liquidated.

(viii) Available-for-Sale Securities

Under Canadian GAAP, portfolio investments are accounted for using the cost method. Under US GAAP, portfolio investments classified as available-for-sale securities are carried at market values with unrealized gains or losses reflected as a separate component of shareholders' equity and included in comprehensive income. Cameco's investments in Energy Resources of Australia Ltd and Menzies Gold NL are classified as available-for-sale. The fair market value of these investments at December 31, 2001 was \$20,092,000 (2000 - \$28,392,000). The cumulative unrealized gain at December 31, 2001 was \$2,528,000.

(d) Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation establishes financial accounting and reporting standards for stock-based employee compensation plans. This statement defines a fair value based method of accounting for employee stock options. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, which is similar to the method applied under Canadian GAAP and followed by Cameco. Companies that continue to follow the intrinsic value based method must disclose pro-forma earnings and earnings per share information under the fair value method.

If the fair value based method of accounting had been applied, pro-forma net earnings and earnings per share would have been as follows:

	2001	2000	1999
	(Thousands)		
Net earnings (loss) for the year in accordance with US GAAP as calculated above	\$ 50,889	\$ (124,944)	\$ 62,319
Effect of recording compensation expense under stock option plans	(2,272)	(966)	(3,593)
Pro-forma net earnings (loss) after application of SFAS 123	\$ 48,617	\$ (125,910)	\$ 58,726
Pro-forma net earnings (loss) per common share after application of SFAS 123	\$ 0.88	\$ (2.27)	\$ 1.02

In calculating the foregoing pro-forma amounts, the fair value of each option grant was estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2001	2000	1999
Dividend	\$ 0.50	\$ 0.50	\$ 0.50
Expected volatility	39.6%	44.8%	35.7%
Risk-free interest rate	5.5%	6.0%	6.5%
Expected life of option	8 years	8 years	8 years
Expected forfeitures	20.0%	20.0%	20.0%

(e) New Accounting Pronouncements

In June 2001, the FASB issued Statement 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and use of the asset. Statement 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses. Cameco is required and plans to adopt the provisions of Statement No. 143 for the quarter ending March 31, 2003. Cameco has not yet estimated the impact of adopting this standard for its nuclear and gold mining and milling assets, its nuclear conversion facilities or other assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles and, except as described in note 28, conform in all material respects with accounting principles generally accepted in the United States. Management make various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. The most significant estimates are related to the lives and recoverability of mineral properties, provisions for decommissioning and reclamation of assets, future income taxes, financial instruments and mineral reserves. Actual results could differ from these estimates. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

Consolidation Principles

The consolidated financial statements include the accounts of Cameco and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under

this method, Cameco includes in its accounts its proportionate share of assets, liabilities, revenues and expenses.

Cash

Cash consists of balances with financial institutions and investments in money market instruments which have a term to maturity of three months or less.

Inventories

Inventories of broken ore, uranium concentrates and refined and converted products are valued at the lower of average cost and net realizable value.

Supplies

Consumable supplies and spares are valued at the lower of weighted average cost or replacement value.

Investments

Investments in associated companies over which Cameco has the ability to exercise significant influence are accounted for by the equity method. Under this method, Cameco includes in earnings its share of earnings or losses of the associated company. Other long-term investments are carried at cost or at

cost less amounts written off to reflect a decline in value that is other than temporary.

Property, Plant and Equipment

Assets are carried at cost. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings. Maintenance and repair expenditures are charged to cost of production. The carrying values of property, plant and equipment are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Non-Producing Properties

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation or depletion is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining life of the related assets.

The carrying values of non-producing properties are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Property Evaluations

Cameco reviews the carrying values of its properties when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating, capital and reclamation costs. The carrying value of a property is written down to the extent that the estimated future net cash flows, on an undiscounted basis, are less than the carrying value of the property.

Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the

period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Depreciation and Depletion

Conversion services assets, mine buildings, equipment and mineral properties are depreciated or depleted according to the unit-of-production method. This method allocates the costs of these assets to each accounting period. For conversion services, the amount of depreciation is measured by the portion of the facilities' total estimated lifetime production that is produced in that period. For mining, the amount of depreciation or depletion is measured by the portion of the mines' economically recoverable proven and probable ore reserves which are recovered during the period.

Other assets are depreciated according to the straight-line method based on estimated useful lives which range from three to 10 years.

Research and Development and Exploration Costs

Expenditures for applied research and technology related to the products and processes of Cameco and expenditures for geological exploration programs are charged against earnings as incurred.

Environmental Protection and Reclamation Costs

The estimated costs for decommissioning and reclaiming producing resource properties are accrued and charged to operations according to the unit-of-production method. Actual costs of decommissioning and reclamation are deducted against this accrual. Cameco's estimates of reclamation costs could change as a result of changes in regulatory requirements and cost estimates. Expenditures relating to ongoing environmental programs are charged against earnings as incurred or capitalized and depreciated depending on their relationship to future earnings.

Employee Future Benefits

Cameco accrues its obligations under employee benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are measured at fair value. Past service costs arising from plan amendments and net actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

Revenue Recognition

Cameco supplies uranium concentrates and uranium conversion services to utility customers. Third party fabricators process Cameco's products into fuel for use in nuclear reactors.

Cameco records revenue on the sale of its nuclear products to utility customers when title to the product transfers and delivery is effected through book transfer. Since nuclear products must be stored at licensed storage facilities, Cameco may hold customer owned product at its premises prior to shipment of the product to third parties for further processing.

Cameco records revenue on the sale of gold when title passes and delivery is effected.

Amortization of Financing Costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the issues to which they relate.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at rates in effect at the time of the transactions. The applicable exchange gains and losses arising on these transactions are reflected in earnings.

Foreign currency gains or losses arising on translation of long-term monetary items with a fixed or ascertainable life beyond the end of the following fiscal year are deferred and amortized to earnings over the remaining life of the item.

The United States dollar is considered the functional currency of most of Cameco's uranium and gold operations outside of Canada. The financial statements of these operations are translated into Canadian dollars using the current rate method

whereby all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on Cameco's net investment in these foreign operations, are recorded in the cumulative translation account component of shareholders' equity. Exchange gains or losses arising from the translation of foreign debt and preferred securities designated as hedges of a net investment in foreign operations are also recorded in the cumulative translation account component of shareholders' equity. These adjustments are not included in earnings until realized through a reduction in Cameco's net investment in such operations.

Derivative Financial Instruments and Hedging Transactions

Cameco utilizes derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Gains and losses related to derivatives that are hedges are deferred and recognized in the same period as the corresponding hedged positions. If derivative financial instruments are closed before planned delivery, gains or losses are recorded as deferred revenue or deferred charges and recognized on the planned delivery date.

A derivative must be designated and effective to be accounted for as a hedge. Effectiveness is achieved if the cash flows or fair values of the derivative substantially offset the cash flows of the hedged position and the timing is similar.

Premiums paid or received with respect to derivatives are recognized based on the original hedge designation date.

Per Share Amounts

Per share amounts are calculated using the weighted average number of paid common shares outstanding.

GLOSSARY

Baseload

The minimum amount of electric power delivered or required over a given period of time at a steady rate.

Candu

Canada, Deuterium, Uranium. Canadian designed and built pressure tube nuclear reactor which uses natural uranium as fuel and heavy water (deuterium oxide) as the moderator.

Contango (for gold)

The positive difference between the spot market gold price and the forward market gold price. It is normally expressed as a per-annum interest rate and is the difference between London Inter Bank Offer Rates (LIBOR) and the lease rate charged by institutions that lend gold.

Conversion Factors

Weights and measures are indicated in the unit most commonly used in specific areas of the industry. These are noted with * and conversion factors are provided below.

Take This:	Do This	To Obtain This
*cm	÷ 2.54	= inch
*km	÷ 1.60	= mile
*oz	x 31.10	= g
t	x 1.10	= T
*T	x 0.90	= t
*oz/T	x 34.28	= g/t
*lb U ₃ O ₈	÷ 2599.8	= tU
tU	x 2599.8	= lb U ₃ O ₈
*% U ₃ O ₈	÷ 1.18	= % U

Dose

Term used to quantify the amount of energy absorbed from ionizing radiation per unit mass.

Electricity Measurements

1kW x 1000 = 1MW x 1000 =
1GW x 1000 = 1TW

Kilowatt (kW): kilowatt-hour (kWh)

A kilowatt is a unit of power representing the rate at which energy is used or produced. One kilowatt-hour is a unit of energy, and represents one hour of electricity consumption at a constant rate of 1kW.

Megawatt (MW): megawatt-hour (MWh)

A megawatt equals 1000 kW. One megawatt-hour represents one hour of electricity consumption at a constant rate of 1MW.

Gigawatt (GW): gigawatt-hour (GWh)

A gigawatt equals 1000 MW. One gigawatt-hour represents one hour of electricity consumed at a constant rate of 1GW.

Terawatt (TW): terawatt-hour (TWh)

One terawatt equals 1000 GW. One terawatt-hour represents one hour of electricity consumption at a constant rate of 1TW

Enriched Uranium

Uranium in which the content of the isotope uranium-235 has been increased above its natural value of 0.7% by weight. Typical low-enriched uranium for commercial power reactors is enriched in uranium-235 to the range of 3% to 5%. In highly enriched uranium, the uranium-235 has been increased to 20% or more.

In Situ Leaching

A process involving pumping a solution down an injection well where it flows through the deposit, dissolving uranium. The uranium-bearing solution is pumped to surface where the uranium is recovered from the solution.

Light-Water Reactor

A thermal reactor using ordinary water both as a moderator and as a coolant with enriched uranium as fuel.

Ounce (oz)

All ounces in this report are troy ounces.

Radiation

Radiation occurs naturally. It is a type of energy that travels through space in the form of waves, or particles, which give up all or part of their energy on contact with matter. Radiation can take the form of alpha or beta particles, x-rays or gamma rays, or neutrons.

Radiation Types

Alpha particles do not penetrate matter deeply—they can be stopped by a sheet

of paper or a few millimeters of air.

The potential hazard from alpha particles is internal from possible inhalation or ingestion.

Beta particles penetrate further than alpha particles but can be stopped by aluminum foil or a few centimeters of wood.

Gamma rays penetrate most deeply and substances which emit gamma radiation can be hazardous inside and outside the body. Protection from gamma rays includes shielding by concrete, water and lead.

Neutrons are particles which also penetrate matter deeply. They come from outer space and also occur inside nuclear reactors. Water and concrete are used effectively as shielding in nuclear plants.

Radon

Radon is a naturally occurring, radioactive gas that is produced from the radioactive decay of radium-226, one of the decay products of uranium-238. The primary hazard from radon is its decay products, which are referred to as radon progeny. Radon progeny are short-lived radioactive decay products of radon gas.

Spot Market

The buying and selling of uranium products for delivery within one year.

Spot Market Price

Price for product sold or purchased in the spot market rather than under a long-term contract.

t

Tonne (metric ton)

T

Ton (short ton)

UO₂

Uranium dioxide. Converted from UO₃ at Cameco's Port Hope plant, then compressed to pellets and sintered by fuel fabricators to make fuel for Candu reactors.

UO₃

Uranium trioxide. An intermediate product produced at Cameco's Blind River refinery

and used as feed to produce UO_2 and UF_6 at Cameco's Port Hope conversion plants.

U_3O_8

Triuranium octoxide. At Cameco operations, it is in the form of concentrate, often called yellowcake.

UF_6

Uranium hexafluoride. Converted from UO_3 at Cameco's Port Hope plant. Following enrichment, UF_6 is converted to enriched UO_2 suitable for fabrication into fuel for light-water reactors.

Western World Uranium Market

Western world includes Argentina, Australia, Belgium, Brazil, Canada, Czech Republic, Finland, France, Gabon, Germany, India, Indonesia, Japan, Mexico, Namibia, Netherlands, Niger, Pakistan, Philippines, Portugal, Romania, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom and the United States.

Mineral Resource

A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

Inferred Mineral Resource

An inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Indicated Mineral Resource

An indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, density, shape and physical characteristics, can be estimated with a level of confidence sufficient to

allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Measured Mineral Resource

A measured mineral resource is that part of a mineral resource for which quantity, grade or quality, density, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Mineral Reserve

A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Probable Mineral Reserve

A probable mineral reserve is the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

Proven Mineral Reserve

A proven mineral reserve is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

NOTES

In this mineral reserves and resources statement Cameco uses a definition of classes of mineralization taking into account a maximum number of parameters of various natures.

These parameters are:

- the precision of the estimate;
- the economic feasibility of the project, which relates not only to grades but to the volume of the reserves, the location, the chemistry of the expected ore, the price of the product, etc.;
- the legal status of the project and its possible evolution in the very near future.

Cameco's mineral reserves include allowances for dilution and mining or in situ leaching recovery, except for the McArthur River reserves where the high grade ore requires deliberate dilution to comply with license conditions. No allowances have been applied to mineral resources. Stated mineral reserves and resources have been calculated based on estimated quantities of mineralized material recoverable by established mining methods. This includes only deposits with mineral values in excess of cut-off grades used in normal mining operations. Cameco's mineral reserves include material in place and on stockpiles. Only mineral reserves have demonstrated economic viability.

Mineral reserve and resource estimates as presented were prepared by or under the supervision of a qualified person, Raymond Jean Francois Chauvet, geological engineer and professional geoscientist, who is director, mining resources and methods at Cameco. Cameco's mineral reserve and resource estimates are extracted from internally generated data or audited reports. No independent verification of Cameco's reserve and resource estimates has been performed.

There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drilling, testing and production, as well as material changes in uranium or gold prices, subsequent to the date of the estimate may justify revision of such estimates.

Cameco's classification of mineral reserves and resources and the subcategories of each, conforms to the definitions adopted by CIM Council on August, 20, 2000, which are in accordance with the National Instrument 43-101 dated November 17, 2000, issued by the Canadian Securities Administrators. Cameco reports reserves and resources separately, the amount of reported resources does not include those amounts identified as reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

DIRECTORS

John S. Auston ^{1,5}



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British Columbia
Corporate Director

Joe F. Colvin ^{1,3,5}



Kiawah Island,
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President and Chief
Executive Officer,
Nuclear Energy Institute

Harry D. Cook ³



La Ronge, Saskatchewan
President, Kitsaki
Development
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Winston & Strawn

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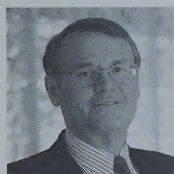


Calgary, Alberta
Former President and
Chief Executive Officer,
Nexen Inc.

Committees: 1 Strategic Planning 2 Audit 3 Environment and Safety 4 Compensation and Human Resources 5 Nominating and Corporate Governance

OFFICERS

Bernard M. Michel



Chair and Chief
Executive Officer

Gerald W. Grandey



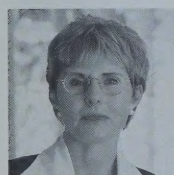
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David M. Petroff



Senior Vice-President,
Finance and
Administration and
Chief Financial Officer

Rita M. Mirwald



Senior Vice-President,
Human Resources and
Corporate Relations

Gary M.S. Chad



Senior Vice-President,
Law, Regulatory Affairs
and Corporate Secretary

Vision

Cameco is a unique and successful international company.

Our core business is uranium production and the supply of services to the nuclear industry. We are committed to providing, on a long-term basis, outstanding value to our customers.

As an integrated leader in the nuclear industry and a recognized gold producer, we find and develop quality mineral deposits. We achieve excellence in our operations, in the protection of the environment, in the health and safety of our employees and in the development of our human resources. Cameco earns the support of the communities with which it interacts.

Cameco achieves sustainable growth and profitability through ethical business conduct and, by so doing, will continue to be an investment and employer of choice, providing outstanding value to our shareholders and a rewarding workplace for our employees.

Values

Excellence Cameco pursues excellence in all undertakings. We value people who strive to produce work of the highest quality. We encourage creativity, innovation and an attitude of continuous improvement.

People Cameco values the contribution of every employee. We seek strong relationships based on honest communications with employees and their families, customers, shareholders and suppliers.

Integrity Cameco seeks to earn the respect of all people with whom it interacts. We inspire trust based on honest, fair and ethical behaviour.

Environment Cameco's operations provide a safe human and physical environment. We are committed to exemplary practices that promote the health of employees, safeguard the environment and allow us to return the sites of our operations to their natural conditions.

FIVE-YEAR FINANCIAL SUMMARY

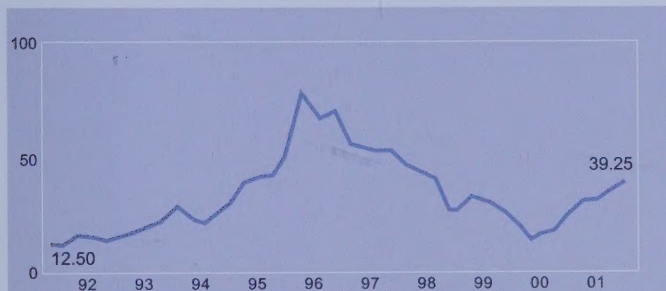
(Dollars are expressed in \$ Canadian millions except prices and per share amounts)

Commodity Market Prices (annual average)	2001	2000	1999	1998	1997
Uranium (spot price in \$US/lbs U ₃ O ₈)	\$ 8.77	\$ 8.21	\$ 10.23	\$ 10.32	\$ 12.04
Gold (market price in \$US/oz)	270.94	279.08	278.88	294.24	330.98
Operations					
Revenue	\$ 700.8	\$ 688.9	\$ 741.6	\$ 718.9	\$ 642.9
Earnings (loss) ¹ from operations	94.8	(45.7)	79.3	104.5	151.0
Net earnings ¹ before special items	55.9	44.5	42.3	67.5	82.0
Net earnings (loss) ¹	55.9	(87.2)	71.2	43.7	82.0
EBITDA ²	234.0	213.6	252.0	245.5	265.7
Cash provided by operations	116.2	224.3	249.4	236.8	162.1
Capital expenditures	58.3	84.1	201.1	702.3	307.7
Financial Position					
Total assets	\$ 2,947.3	\$ 2,800.5	\$ 2,964.1	\$ 2,938.6	\$ 2,270.7
Total debt	354.0	294.3	359.2	601.4	286.7
Shareholders' equity	1,822.9	1,780.5	1,922.3	1,903.3	1,692.2
Financial Ratios					
Current ratio (current assets/current liabilities)	4.3:1	3.6:1	3.3:1	2.4:1	2.0:1
Return on common shareholders' equity	3%	(3%)	4%	3%	6%
Net debt to capitalization	15%	13%	14%	23%	9%
Cash from operations/total net debt	36%	86%	80%	42%	92%
Common Share Data (\$ per share)					
Net earnings before special items	\$ 1.01	\$ 0.81	\$ 0.72	\$ 1.18	\$ 1.51
Net earnings (loss)	1.01	(1.57)	1.24	0.76	1.51
Cash provided by operations	2.10	4.04	4.35	4.13	2.98
Dividends	0.50	0.50	0.50	0.50	0.50
Book value	29.24	28.77	30.51	29.77	29.46
TSE Market – high	43.00	28.25	40.50	48.75	60.00
– low	23.75	14.50	20.75	24.05	40.00
– close	39.25	26.25	21.95	27.45	46.40
– annual volume (millions)	45.7	35.3	30.5	24.3	33.0
Shares outstanding (millions)					
Weighted average	55.4	55.5	57.4	57.3	54.4
Year end	55.7	55.5	57.2	57.7	57.4
Production (Cameco's Share)					
Uranium concentrates (million lbs U ₃ O ₈)	18.8	16.6	16.8	27.5	19.3
Uranium conversion (UF ₆ and UO ₂) (000s tU)	11.0	9.3	11.2	11.2	12.6
Gold (oz)	250,907	223,339	203,508	244,385	202,454
Employees	2,948	2,924	2,843	2,902	2,469

¹ Attributable to common shares.

² Earnings before interest, taxes, depreciation and amortization, writedowns, gains on asset sales and other income.

INVESTOR INFORMATION



SHARE PERFORMANCE

(TSE \$/share)

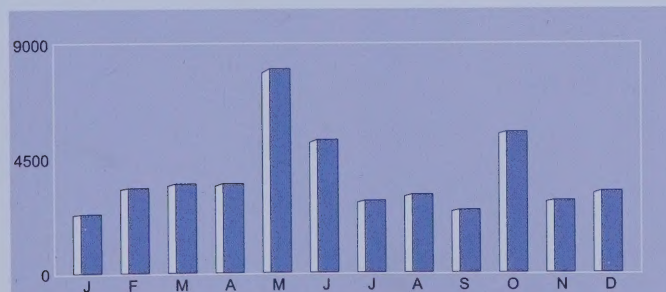
During 2001, Cameco's share price increased by 50% compared to 11% for the TSE metals and minerals index and a decline of 16% by the S&P/TSE 60.



MONTHLY SHARE PRICE

(TSE \$/share)

Cameco's shares traded between \$23.75 and \$43.00 during 2001.



MONTHLY SHARE VOLUME (TSE)

(thousands of shares)

In 2001, 46 million Cameco shares traded on the TSE compared to 35 million in 2000.

DECEMBER 31, 2001

Shares outstanding	55.7 million
Market capitalization	\$ 2.2 billion

Common Shares

Toronto (CCO)

New York (CCJ)

Preferred Securities

New York (CCJPR)

Transfer Agents

For information on common share holdings, dividend cheques, lost share certificates and address changes, contact:

CIBC Mellon Trust Company

320 Bay Street, P.O. Box 1

Toronto, Ontario M5H 4A6

North America phone toll free:

800-387-0825 or 416-643-5500

www.cibcmellon.com

For information on preferred security holdings, interest cheques, lost certificates and address changes, contact:

JP Morgan Chase Bank

Corporate Trust Services

2001 Bryan Street

Dallas, Texas 75201

Phone: 214-468-6095 (US only)

or 214-468-6125

Fax: 214-468-6095

Annual Meeting

The annual meeting of shareholders of Cameco Corporation is scheduled to be held Thursday, May 2, 2002 at 1:30 pm at Cameco's head office in Saskatoon, Saskatchewan.

Dividend Policy

The board of directors has established a policy of paying quarterly dividends of \$0.125 (\$0.50 per year) per common share. This policy will be reviewed from time to time in light of the company's cash flow, earnings, financial position and other relevant factors.

Investor Inquiries

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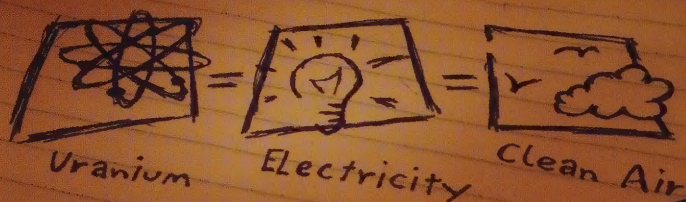
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Clean • Solution

We believe that people all over the world
should have the opportunity
to breath clean air.

The fuel produced from Cameco's
uranium generates clean electricity,
without greenhouse gases, in nuclear
plants around the world.

We're helping to keep the air clean.



Cameco

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